CONTENTS

1) EXPLANATORY FOREWORD

1.1 Introduction

2010/11 has been another challenging year for Bedford Borough Council. There has continued to be increasing demand for services at the same time as budgets are being constrained. Also, this is the first year for these Statement of Accounts to be presented under International Financial Reporting Standards (IFRS), which has resulted in some significant changes in the presentation of financial information. This explanatory foreword highlights the key financial issues in the Statement of Accounts.

1.2 Outturn Position

Due to various statutory instruments the Council is required to charge various amounts to council tax payer (via the General Fund), and exclude others. For example, the Comprehensive Income and Expenditure Statement on page 9 follows a prescribed format on where and how spend should be reported. This statement also includes a number of technical accounting entries (such as depreciation, pension fund adjustments, overhead apportionments) that are subsequently reversed out in the Movement in Reserves Statement on page 8.

Whilst the Council monitors its budget on a monthly basis against the impact on the General Fund (and therefore Council tax) that reflects the Council's management structure, the Council is required to report its accounts using IFRS accounting standards that follow a prescribed layout. This means that there are some significant differences when comparing the financial position reported under IFRS from that reported to Executive throughout the year. Note 28 aims to assists in explaining these differences.

Prior to this commentating on the Statement of Accounts, it is useful to report on the final outturn for the Council across the service directorates.

Revenue Outturn

The Council's revenue position continues to be very challenging. The Council continues to be faced with external challenges from the impact of the credit crunch, recession, inflation fluctuations and the global financial market crisis. Demand led pressures and other one-off expenditure continue to compound the financial situation facing the Council.

Despite this, the outturn for 2010/11 is an underspend of £2.1 million, which represents 1.6% of the net budget requirement. The table below sets out the outturn position for each Directorate, as reported to Executive on 22 June 2011.

	Current Budget £000	**Provisional Outturn £000**	**Provisional Variance £000**
Adult Social Care	34,685	34,342	-343
Chief Executives'	14,875	14,749	-126
Children's Services, Schools & Families	25,626	25,884	258
Environment & Sustainable Communities	30,563	30,353	-210
Finance & Corporate Services	12,116	11,863	-253
Operational Net Cost	**117,865**	**117,191**	**-674**
Capital Financing	7,688	7,113	-575
Contingency	625	50	-575
Corporate Budgets	1,574	1,314	-260
Total	**127,752**	**125,668**	**-2,084**
% of Total Net Budget			-1.63%

Capital Outturn

The outturn position for 2010/11 is shown in the table below. This identifies a total net underspend for the year amounting to £2.732 million.

	Revised net budget £'000	Actual net spend £'000	Variance (underspend) £'000
Adult Social Care	787	257	-530
Chief Executive	931	727	-204
Children's Services, Schools & Families	2,645	1,791	-854
Environment & Sustainable Communities	10,451	9,685	-766
Finance & Corporate Services	2,242	1,864	-378
Total	**17,056**	**14,324**	**-2,732**

Capital can be funded from a number of sources, including capital grant & contributions, revenue budgets, capital receipts and borrowing. A breakdown of the Council's financing of the capital programme is shown in Note 38 – which shows expenditure on a gross expenditure basis.

Due to the nature of capital schemes it is not unusual to have projects delayed and, therefore, the re-profiling of schemes into future years does occur as the programme is subject to regular review. Forecasts in year are subject to challenge, with Directorates and Portfolio Holders to assess the current need for funding and to ensure that critical schemes are re-profiled accordingly. The outcome of these are reported to the Executive for consideration as an integral part of the capital programme review process.

Further information on both the revenue and capital monitoring and outturns are available in the report presented to the Executive, which can be accessed on the Council's website by following the link below:

http://www.councillorsupport.bedford.gov.uk/

Other Significant Events during 2010/11

The Council continues to operate within a difficult financial climate. During 2010 the government announced significant cuts to the Council's funding, which lead to the Council pro-actively reviewing it's services and budgets. The Council's 2011/2012 budget incorporated savings totalling £16 million. The Medium Term Financial Strategy (MTFS) approved at the Executive in March 2011 for the period 2011-2017 estimates a further £31 million of efficiencies/savings will need to be realised during 2012-2015.

The Government also announced its intentions to allow schools to opt for Academy status, which effectively brings them out of Local Authority control. During 2010/11, five schools achieved academy status. The impact is a reduction in the value of Property, Plant and Equipment on the Council's Balance Sheet. During 2011/2012 there will also be a noticeable reduction in the gross expenditure and income on schools as these will now be accounted for as separate legal entities.

1.3 Commentary on Statement of Accounts

International Financial Reporting Standards (IFRS)

As described earlier, this is the first year the Statement of Accounts have been presented under IFRS, which includes some significant changes. One of the more significant changes is to the Core Financial Statements – there is no longer a Statement of Movement on the General Fund Balance and a Statement of Total Recognised Gains and Losses, but there has been an introduction of a Movement in reserves Statement. Also, the layout of the statements have changed.

Due to the significance of these changes, extra notes and disclosures have been included in the Notes to the Accounts. Note 1 describes the key changes.

Movement in Reserves Statement (page 8)

This is provides a summary in the movements of all the different reserves of the Council. The movement in 2010/11 shows that overall reserves have increased by £75m, which equates to the net worth of the Council.
Within this, usable reserves, which are cash-backed increased by nearly £4m. Within these, the total Earmarked Reserves increase by £2.5m and the General Fund balance increasing by £1.2m. Details of this movement is set out in the table below.

	£000
General Fund Reserve as at 1 April 2010	**6,971**
Add: Bedford Bereavement Care	460
Add: Revenue Budget underspend in 2010/11	2,084
Add: Bedfordshire County Council (BCC) Disaggregation	1,130
Add: Additional Contribution from CSD	791
Total	**11,436**
Less Adjustments:	
Transfer to Bad Debt provision	-953
Transfer to Transitional Costs Reserve	-1,680
Transfer to Insurance Reserve	-598
General Fund Balance as at 31 March 2011	**8,205**

Comprehensive Income and Expenditure Statement (page 9)

This shows a surplus of £75m, however this contains a number of items which are subsequently reversed out (due to statutory requirements) because they would otherwise have a dramatic year-on-year impact on the level of Council Tax. This includes an improvement in the Pension Fund deficit of £67m due to Actuarial Gains following changes in assumptions. There was also an upward revaluation of property values of £8m.

Work carried out on behalf of third parties under shared service agreements (e.g. those with Central Bedfordshire Council), have been grossed up on the accounts to show both income and expenditure to reflect the Council's exposure to financial risk.

Balance Sheet (page 10)

The Council has long term assets of £472m and long term liabilities of £271m. There are also current assets of £115m and current liabilities of £57m.

The balance is supported by reserves and balances of £259m and represents the total net worth of the Council, which saw an increase of £75m over the past twelve months.

Long Term Assets
There is a decrease of £27m on Long Term Assets between the opening and closing balance sheet figures, which was mainly due to the transfers of schools assets out of the Council following five schools applying for and achieving Academy Status during 2010/11.

Long Term Liabilities
Long term liabilities decreased by £87m, mainly due to a reduction in the Pension Liability of £107m.
The majority of the Council's borrowing is with the Public Works Loans Board and stands at £96m.

Reserves
The total net worth of the Council has increased by £75m with Usable reserves increasing by £4m and Unusable Reserve by £71m. Unusable reserves are not cashable, and a breakdown of these amounts are given in Note 24.The table below shows how the reserve has moved throughout the year:

The General Fund balance at the year end is well within the range of the risk profile for General Fund, which enables greater flexibility with budget planning going forward into 2011/2012 and beyond.

<u>Cashflow Statement</u> (page 11)

This statement essentially restates the Income & Expenditure for cash items only, stripping out accruals and items such as depreciation and pension fund charges.

<u>Notes to the Core Financial Statements</u> (page 12)

These notes provide extra narrative and table to support the Core Financial Statement and to give a greater understanding. These Notes include the Accounting Policies which have been adopted which have changed due to IFRS, plus additional notes on the impact of these changes.

<u>Collection Fund</u> (page 81)

This statement represents the transactions of the Collection Fund, which is a statutory fund under the provisions of the Local Government Finance Acts 1988 and 1992. The fund covers all Council Tax and National Non-Domestic Rates collection in the borough. The account is an agency arrangement. The balances therefore belong to the billing authority and the major preceptors. The balance accounted for but not required by regulation to be credited to the general fund is held in the Collection Fund Adjustment Account for each preceptor. This is a change in accounting practice from last year.

<u>Pension Fund</u> (page 84)

Bedford Borough Council administers the Pension Fund, which looks after the current and future pension entitlements on behalf of 53 employers. As the Council is administering authority for the Pension Fund the accounts are included here. These accounts look at the investment balance sheet and the income and expenditure of the Pension Fund. They do not include anything about the Fund's liabilities.
The Pension Fund's assets increased by £111m (9.5%) compared to 31 March 2010 which is in line with the outlook for local authorities in England and Wales.
There is a government consultation paper out at present which considers the future of local government pension finance.

<u>Annual Governance Statement</u> (page 101)

Councils are required to publish an Annual Governance Statement (AGS) as part of their Statement of Accounts, in accordance with the 2006 Accounts and Audit Regulation. The AGS is focused around the following six principles:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

2) STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Bedford Borough Council that officer is the Director of Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance and Corporate Services' Responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper accounting practices, as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance and Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Director of Finance and Corporate Services has also:

- ensured proper accounting records were kept which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification

This statement of accounts presents a true and fair view of the financial position of Bedford Borough Council at 31 March 2011 and income and expenditure for the year ended 31 March 2011.

Signed: T Roff Date: 29 June 2011

Trevor Roff, Director of Finance and Corporate Services

Approval

I confirm that the Statement of Accounts were approved by the Audit Committee at its meeting on xx September 2011.

Signed: Date: xx September 2011

Chair of Audit Committee

3) MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Gen Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2009	**-8,841**	**-25,274**	**-1,566**	**-661**	**-36,343**	**-313,178**	**-349,521**
Movement in reserves in 2009/2010							
Surplus or (deficit) on provision of services	70,754				**70,754**		**70,754**
Other Comprehensive Expenditure and Income					**0**	94,689	**94,689**
Total Expenditure and Income	**70,754**	**0**	**0**	**0**	**70,754**	**94,689**	**165,443**
Adjustments between accounting basis & funding basis under regulations (Note 8)	-67,988		1,566		**-66,422**	66,421	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,766**	**0**	**1,566**	**0**	**4,333**	**161,110**	**165,443**
Transfers to/from Earmarked Reserves (Note 9)	-896	896			**0**		**0**
Increase/Decrease in 2009/2010	**1,870**	**896**	**1,566**	**0**	**4,333**	**161,110**	**165,443**
Balance at 31 March 2010	**-6,971**	**-24,378**	**0**	**-661**	**-32,010**	**-152,068**	**-184,078**
Movement in Reserves in 2010/11							
Surplus or (deficit) on provision of services	-678				**-678**		**-678**
Other Comprehensive Expenditure and Income					**0**	-74,831	**-74,831**
Total Expenditure and Income	**-678**	**0**	**0**	**0**	**-678**	**-74,831**	**-75,509**
Adjustments between accounting basis & funding basis under regulations (Note 8)	-2,639		0	-19	**-2,659**	2,658	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**-3,317**	**0**	**0**	**-19**	**-3,336**	**-72,173**	**-75,509**
Bedford Bereavement Care (note 2)	-460	-125			**-585**	523	**-63**
School Academies		127			**127**		**127**
Transfers to/from Earmarked Reserves (Note 9)	2,544	-2,544			**0**		**0**
Increase/Decrease in Year	**-1,233**	**-2,542**	**0**	**-19**	**-3,795**	**-71,650**	**-75,445**
Balance at 31 March 2011	**-8,205**	**-26,920**	**0**	**-680**	**-35,805**	**-223,718**	**-259,523**

4) COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/2010				2010/2011		
Gross Exp £'000	**Gross Income £'000**	**Net Exp £'000**		**Gross Exp £'000**	**Gross Income £'000**	**Net Exp £'000**
17,352	-14,744	2,609	Central services to the public	16,273	-13,384	2,889
53,275	-21,477	31,797	Cultural, environmental, regulatory & planning	49,003	-13,438	35,565
221,951	-174,057	47,893	Education and children's services	224,665	-179,998	44,667
20,971	-5,865	15,106	Highways and transport services	23,098	-6,544	16,554
60,186	-55,413	4,772	Other housing services	60,933	-55,021	5,911
60,047	-20,785	39,262	Adult social care	65,775	-24,899	40,876
3,032	-	3,032	Exceptional Unitary Transition Costs	888	-2,193	-1,305
5,535	-1,858	3,677	Corporate and democratic core	4,902	-146	4,756
2,711	-2,807	-95	Non distributed costs	-43,033	-2,401	-45,434
445,060	**-297,006**	**148,054**	**Cost Of Services**	**402,504**	**-298,024**	**104,480**
73,758	-10,793	62,965	Other Operating Expenditure (Note 10)	44,420	-7,547	36,873
14,101	-4,347	9,754	Financing and Investment Income and Expenditure (Note 11)	16,193	-5,948	10,246
-	-150,020	-150,020	Taxation and Non-Specific Grant Income (Note 12)	-	-152,276	-152,276
		70,754	**(Surplus) or Deficit on Provision of Services**			**-678**
		-23,854	Revaluation of Property, Plant & Equipment (Note 24a)			-8,141
		1	Revaluation of available for sale financial assets (Note 24b)			-1
		118,542	Actuarial gains / losses on pension assets / liabilities (Note 43)			-66,688
		94,689	**Other Comprehensive Income and Expenditure**			**-74,831**
		165,443	**Total Comprehensive Income and Expenditure**			**-75,508**

5) BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
452,778	431,309	Property, Plant & Equipment	13	410,480
62,609	64,574	Investment Property	14	58,109
1,646	1,460	Intangible Assets	15	1,970
208	243	Assets Held for Sale	20	-
3,609	-	Long Term Investments	16	-
1,497	1,655	Long Term Debtors	16	1,941
522,346	**499,242**	**Long Term Assets**		**472,499**
29,005	24,393	Short Term Investments	16	43,831
-	-	Assets Held for Sale	20	243
499	401	Inventories	17	239
22,934	60,435	Short Term Debtors	16 & 18	40,114
34,832	39,424	Cash and Cash Equivalents	19	30,629
87,270	**124,652**	**Current Assets**		**115,056**
-852	-851	Short Term Borrowing	16	-3,782
-29,607	-77,657	Short Term Creditors	16 & 21	-48,488
-436	-1,984	Provisions	22	-4,245
-529	-951	Other Short Term Liabilities	16 & 39	-738
-31,424	**-81,443**	**Current Liabilities**		**-57,253**
-1,100	-4,944	Provisions	22	-5,131
-89,626	-89,670	Long Term Borrowing	16	-95,734
-1,638	-1,628	Other Long Term Liabilities	16 & 39	-1,324
-126,700	-246,802	Pension Liability	43	-139,612
-9,609	-15,329	Capital Grants Receipts in Advance	36	-28,978
-228,672	**-358,373**	**Long Term Liabilities**		**-270,779**
349,520	**184,078**	**Net Assets**		**259,524**
-36,343	-32,010	Usable reserves	23	-35,806
-313,178	-152,068	Unusable Reserves	24	-223,719
-349,520	**-184,078**	**Total Reserves**		**-259,524**

6) CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £'000		**2010/11 £'000**
70,754	Net (surplus) or deficit on the provision of services	-678
-81,497	Adjustments to net surplus or deficit on the provision of services for non cash movements	-2,440
-27	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-164
-10,770	Net cash flows from Operating Activities (Note 25)	-3,282
5,952	Investing Activities (Note 26)	21,266
227	Financing Activities (Note 27)	-9,189
-4,592	Net increase or decrease in cash and cash equivalents	8,795
34,832	Cash and cash equivalents at the beginning of the reporting period	39,424
39,424	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**30,629**

7) NOTES TO THE CORE FINANCIAL ACCOUNTS

A STATEMENT OF ACCOUNTING POLICIES

A.1 GENERAL

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ("the Code"), which is recognised by statute (Accounts and Audit Regulations 2003) as representing proper accounting practice; taking into account any subsequent accounting guidance such as Local Authority Accounting Panel (LAAP) bulletins and any statutory requirements. Any variations from the Code or changes in accounting policy are highlighted where appropriate.

The accounting policies and estimation techniques applied have been selected and exercised having regard to proper accounting principles and policies.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets (current assets in terms of assets held for sale) and financial instruments.

Estimation techniques are the methods adopted by the Council to arrive at monetary amounts corresponding to the measurement basis selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant notes to the statements.

A.2 ACCOUNTING CONCEPTS

In general the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant subject to and in accordance with the fundamental accounting concepts set out below:

<u>Relevance</u>

The accounts are prepared so as to provide readers with information about the council's financial performance and position that is useful for assessing the stewardship of public funds.

<u>Reliability</u>

The accounts are prepared on the basis that the financial information contained in them is reliable, i.e. they are free from material error, systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution and prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

<u>Comparability</u>

The accounts are prepared so as to enable comparison between financial periods as far as possible. To aid comparability the council has applied its accounting policies consistently both during the year and between years. As the first year of presentation under IFRS, there are additional notes to explain the transition from the previous accounting basis to the current basis.

<u>Understandability</u>

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the glossary of terms.

<u>Materiality</u>

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

<u>Accruals</u>

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

<u>Going Concern</u>

The accounts are prepared on the basis that the Council will continue to operate in foreseeable the future.

A.3 ACCRUALS AND RECOGNITION OF INCOME AND EXPENDITURE

All accounts of the Council are maintained on an accruals basis in accordance with the Code, subject to materiality considerations. That is, sums due to or from the Council during the year are included whether or not cash has actually been received or paid in the year. Further details of accruals and exceptions are given below.

<u>Customer and Client Receipts from the Sale of Goods</u>

Customer and client receipts in the form of sales, fees, charges and rents (when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council) are accrued and accounted for in the period to which they relate.

<u>Customer and Client Receipts from the Provision of Services</u>

Customer and client receipts in the form of charges (when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council are accrued and accounted for in the period to which they relate.

<u>Employee Costs</u>

The full cost of employees is charged to the accounts of the period within which the employee worked. Accruals are made for salaries and other employee benefits (e.g. annual leave – see separate accounting policy ‘Employee Benefits’) earned but unpaid at the year end. No accrual is made for flexi leave, maternity leave or sickness, as the amounts are immaterial.

<u>Financial Instruments - Assets</u>

These are recognised on the Balance Sheet on the Contract Date (Trade Date), with the exception of Trade Receivables, which are recognised when the Goods/Services have been received.

<u>Financial Instruments - Liabilities</u>

These are recognised on the Balance Sheet when the loan is received (not when agreed).

<u>Grants and Contributions</u>

Grants or contributions are accounted for on an accruals basis and recognised in the accounting statements when there is reasonable assurance that:

- the conditions for their receipt have been complied with; and
- the grant or contribution will be received.

<u>Interest</u>

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

<u>Supplies and Services</u>

The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received, respectively. Accruals are made for all material sums unpaid at the year end for goods or services received or works completed, respectively. There are exceptions for some regular payments, on the basis that a full year of costs is in the accounts. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

<u>Debtors and Creditors</u>

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

A.4 ACQUIRED AND DISCONTINUED OPERATIONS

Income and expenditure directly related to acquired and discontinued operations are shown separately on the face of the Comprehensive Income and Expenditure Statement.

During 2010/11 the Council acquired Bedford Bereavement Care Ltd, a company that was 100% owned by the Council. Also, it should be noted that 2009/10 was the first year for Bedford Borough Council as a unitary authority. As these services were transferred with effect from 1 April 2009, these services have been treated as continuing services.

A.5 AGENCY AND PRINCIPAL

In presenting income and expenditure, the Council takes a view as to whether the income and expenditure it incurs is on a Agency basis or a Principal Basis.

Agency basis is where the Council incurs income and expenditure on behalf of a third party, usually due to statutory rules and regulations. An example is the collection of Council Tax on behalf of the Police and Fire Authorities.

Principal basis is where the Council incurs income and expenditure on behalf of a third party, but under contact and where risks and rewards are taken. An example is the provision of social care on behalf of other authorities under a Service Level Agreement.

A.6 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 28 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

A.7 CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

A.8 CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A.9 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- o those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

A.10 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

A.11 FINANCIAL ASSETS

Financial assets are classified into two types:

- o Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market
- o Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

<u>Loans and Receivables</u>

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where a receivable (i.e. debtor) has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed/invoiced amount.

When soft loans (e.g. interest-free or low interest rate loans to voluntary organisations) are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where the value of soft loans is considered immaterial, this guidance is not followed and the amounts recorded in the balance sheet reflect the cash amounts.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Normally a financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred.

<u>Available-for-Sale Assets</u>

Available-for-sale assets are initially measured and carried at fair value. When the asset has fixed or determinable payments, annual credits to the Financing and Investments Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- o Instruments with quoted market prices – the market price
- o Other instruments with fixed and determinable payments – discounted cash flow analysis

- o Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to the service) or the Financing and Investment Income and Expenditure in the comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

<u>Impairment of Financial Assets</u>

The Council maintains impairs its financial assets (debts) to ensure that it can finance any sums due to the Council that are subsequently deemed to be irrecoverable after recovery measures have been exhausted. Colloquially known as the Bad Debt provision, as part of the Council's financial reporting the Executive considers the level required on at least an annual basis.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to the service) or the Financing and Investment Income and Expenditure in the comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

The amount needed to provide for potential unpaid sundry debts (including commercial rents and Benefit overpayments) is reduced annually by sums written off and increased by an annual charge to the services in the Comprehensive Income and Expenditure Statement. The impairment is netted off the Debtors figure in the Balance Sheet and not included in the Provisions total.

A.12 FINANCIAL GUARANTEES

The Council may give financial guarantees requiring payments to be made to reimburse the holder of a debt if a debtor fails to make a payment when due in accordance with the terms of a contract. Where these guarantees are given they are to be included in the accounts at fair value. Where guarantees are given to unrelated parties, the fair value is the premium received unless that sum does not represent a reliable estimate of the fair value. Where no premium is received the fair value of the guarantee is estimated by assessing the likelihood of the guarantee being called against the likely amount payable.

At 31 March 2011 the Council had given no financial guarantees but may do so in the future.

A.13 FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and subsequently measured at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus interest payable) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Where a payable (i.e. creditor) has a maturity of less than 12 months or is a trade or other payable, the fair value is taken to be the principal outstanding or the billed/invoiced amount.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that

involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid (subject to a maximum of ten years in the case of discounts received). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

A.14 GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors for revenue grants and contributions or capital grants receipts in advance for capital grants and contributions. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure in the Movement in Reserves Statement.

A.15 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised (above a de minimis limit of £2,000 for schools and £10,000 for non-schools) when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Intangible Assets are amortised to the relevant service line(s) in the Comprehensive Income and Expenditure Statement over the economic life of the asset (between 5 and 15 years).

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

A.16 INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has interests in companies and other entities that have the nature of subsidiaries. There are one company (Bedford Bereavement Care Ltd) and three trust funds (House of Industry, Freemans Common Trust, and Grange Trust). During 2010/11, Bedford Bereavement Care Ltd transferred its operations to the Council and the assets and liabilities and reserves have been incorporated into the Council's statements.

Group Accounts have not are prepared as these interests are not considered material.

A.17 INVENTORIES AND LONG TERM CONTRACTS

Inventories are to be included in the Balance Sheet at the lower of cost and net realisable value. Due to materiality, the cost of inventories are valued at cost price.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

A.18 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Recognition

Expenditure on the acquisition, creation or enhancement of Investment Property is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost or fair value of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Where part of an investment property is replaced (above a de minimis level of £100k), the cost of the replacement is recognised in the carrying value of the investment property and the carrying amount of those parts that are replaced is derecognised.

Measurement

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length (i.e. market value). Where an Investment Property is held under a lease (i.e. the Council is the lessee), the measurement is based on the lease interest. Properties are not depreciated but are revalued annually according to market conditions at the year-end. This means that a periodic revaluation approach (see accounting policy for Property, Plant and Equipment) is only used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Investment Properties are not permitted to be reclassified as Assets Held for Sale.

An investment property under construction is measured at fair value if the Council is able to measure reliably the fair value of the investment property; otherwise these assets are measured at cost.

Rental Income and Disposals

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

A.19 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

A.20 LANDFILL ALLOWANCE TRADING SCHEME

Allowances, whether allocated by DEFRA (Department for Environment, Food and Rural Affairs) or purchased from another WDA (Waste Disposal Authority) are recognised as a current asset. They are initially measured at their fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

A.21 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment or Investment Property held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment and Investment Property recognised under finance leases is accounted for using the policies applied generally to such assets, for Property, Plant and Equipment subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, known as the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

An Investment Property held under an operating lease is accounted for as if it was a finance lease.

<u>The Council as Lessor</u>

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Investment Property) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Under transition to IFRS, the Council has reclassified a number of operating leases to finance leases. In order to mitigate the impact of this reclassification on council tax, regulations (SI 2010 No. 454) require the Council not to classify the repayment of the principal element as a capital receipt for leases entered into on or before 31 but to retain it in the General Fund as income

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Lease Type Arrangements

Where the Council enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments, the arrangement is accounted for as a lease as detailed above. For 2010/11 one arrangement was identified regarding the lease of photocopiers.

A.22 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

A.23 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised (above a de minimis limit of £2,000 for schools and £10,000 for non-schools) on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

There is no de minimis level (see above) on expenditure on a project (or group of projects) which accumulates to above that level or is treated as such in the Council's capital programme.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value
.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The valuation of land and buildings is undertaken by professionally qualified valuers.

New capital projects are treated as assets under construction until they are formally handed over to the service as completed and ready for use. Capital expenditure in year is added to the carrying value of the asset until it is next revalued with the exception of material works on assets (£100,000 or over), which will be revalued at the end of the financial year.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the appropriate line(s) in the Surplus or Deficit on Provision of Services (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised) where they arise from the reversal of a revaluation loss previously charged to the Surplus or Deficit on Provision of Services, for the same asset.

Where decreases in value are identified (revaluation loss), they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

When an asset is re-valued (revaluation gain and revaluation loss), any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

Revaluation gains and revaluation losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services.

In exceptional cases where an impairment loss is reversed subsequently on the same asset, the reversal is credited to the relevant service line(s) in the Surplus or Deficit on Provision of Services, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Revaluation gains and impairment losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

<u>Depreciation</u>

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Assets are depreciated based on the value and life at the start of the financial year (following any revaluations) on a straight-line basis using the following life periods:

o Building	Between 0 and 100 years
o Land	No Depreciation
o Plant, Vehicles and Equipment	Between 5 and 15 years
o Highways Infrastructure	30 years
o Other Infrastructure	Between 10 and 20 years

Depreciation is recognised in the appropriate lines in the Surplus or Deficit on Provision of Services. Depreciation is not permitted to have an impact on the General Fund Balance. The depreciation is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account in the Movement in Reserves Statement.

Residual Value

Residual values are not used as asset values are consumed over their useful life.

Componentisation

Where an item of Property, Plant and Equipment is of significant value in relation to the overall asset portfolio and has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

The Council will apply a de minimis limit (£5m) below which assets will not be componentised because the asset is not considered significant in relation to the overall value of the Council's asset portfolio For those assets above this de minimis limit, there will be a separate de minimis to only consider those components that are significant in relation to the total cost of the asset (20% or above of the total cost). These de minimis limits will be assessed on a regular basis so ensure that the levels are appropriate and do not materially affect the depreciation calculation.

Componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010.

Where part of a Property, Plant and Equipment asset is replaced (above a de minimis level of £100k), the cost of the replacement is recognised in the carrying value of the asset and the carrying amount of those parts that are replaced is derecognised. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services on the same asset (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised). Depreciation is not charged on Assets Held for Sale. Where assets are expected to be sold within 12 months of the end of the financial year they are classified as Current Assets Held for Sale.

Revaluation gains and revaluation losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets (Property, Plant and Equipment or Investment Property) and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve (disposals of £10,000 or below are treated as revenue). Capital receipts can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Reclassifications to Investment Property

Where Property, Plant and Equipment meet the criteria for Investment Property, the asset is reclassified to Investment Property. The asset is revalued immediately before reclassification to Investment Property with any remaining balance on the Revaluation Reserve is 'frozen' until such time it is reclassified.

Schools

The capital assets of certain schools in the Borough are not owned by the Council and hence it is not probable that the future economic benefits or service potential associated with the asset will flow to the Council. Neither does the Council control the assets and hence there is no service concession or lease type arrangement. As a result, the value of the assets is not included in the council's balance sheet. Those schools not included are: Trust Schools, Foundation Schools, Voluntary Aided (VA) and Voluntary Controlled (VC) schools (though the playing fields of VA/VC schools are included).

A.24 EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. lease cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. For these accounts, flexi-time and leave accrued during maternity leave and long term sickness have been excluded, as they are immaterial.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out to the Accumulated Absences Account through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits (Pension Costs)

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered nationally by the Teachers' Pensions Agency.
- The Local Government Pensions Scheme, administered by Bedford Borough Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Services line in the Comprehensive Income and Expenditure statement is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Bedfordshire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Bedfordshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve
  - contributions paid to the Bedfordshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

A.25 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated

otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

A.26 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

A.27 PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Existing provisions are reviewed annually alongside consideration for new provisions. They reflect the best estimate when the accounts are prepared.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provisions are classified on the Balance Sheet as short term (due to be settled within 12 months of the financial year end) or long term (due to be settled over 12 months of the financial year end). For long term provisions where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within Surplus or Deficit on the Provision of services.

A.28 RESERVES

The Council maintains earmarked reserves to fund future expenditure on specific policy priorities as well as to provide funds to meet various contingency requirements the Council may have to face. The Executive has undertaken a review to ensure they are still required for the purpose set out and that the balance is still appropriate.

Amounts set aside for purposes falling outside of the definition of provisions or contingent liabilities are treated as reserves and transfers to and from them are distinguished from service expenditure.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure

Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant accounting policies.

A.29 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets (e.g. grants to third parties for capital purposes) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

A.30 VALUE ADDED TAX (VAT)

VAT payable is included as an expense in the Comprehensive Income and Expenditure Statement whether of a capital or revenue nature only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is not included as income in the Comprehensive Income and Expenditure Statement.

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1(a) Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not take at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(a) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Short-term creditors	-26,874	-2,732	-	-29,607
Unusable reserves - Accumulated Absenses Account	-	2,732	-	2,732

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(a) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Short-term creditors	-74,151	-3,626	120	-77,657
Unusable reserves - Accumulated Absenses Account	-	3,626	-	3,626

2009/10 CIES *Cost of Service*	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(a) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Central Services to the Public	2,613	3	-8	2,609
Cultural, Environment, Regulatory and Planning	28,970	35	2,792	31,797
Education and Children's services	46,808	794	292	47,893
Highways & Transport services	15,353	18	-265	15,106
Other Housing Services	4,735	6	31	4,772
Adult Social Care	39,403	34	-175	39,262
Corporate and Democratic Core	3,672	3	2	3,677

1(b) Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has a number of leases where the accounting treatment has changed following the introduction of the Code. The financial statements have been amended as follows:

Vehicles and Equipment – Operating Leases reclassified to Finance Leases (Council acts as Lessee)

- The Council has recognised assets and a finance lease liability (short term and long term).
- The operating lease charge to Services have been reduced by the amount that relates to the asset element of the lease payments.
- A depreciation charge has been included within Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

Property – Operating Lease reclassified to Finance Lease (Council acts as Lessor)

- The Council has recognised a Long Term Debtor and Deferred Capital Receipt, and derecognised the asset.
- The lease was in existence before 31 March 2010, therefore the statutory mitigation (SI 2010/454) applies whereby principal payments are classified as revenue (not capital), as such there is no restatement required to the Comprehensive Income and Expenditure Statement in this respect.
- A depreciation charge has been excluded within Services and the Capital Adjustment Account.
- The interest element of the lease income is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

A summary of these changes as they impact on the 2009/10 financial statements is given below:

Opening 1 April 2009 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(b) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Property, Plant and Equipment	451,474	2,267	-964	452,778
Investment property	63,595	-1,760	774	62,609
Long-term debtors	1,210	287	-	1,497
Short-term debtors (net of impairment)	22,644	289	-	22,933
Other short-term liabilities	-	-529	-	-529
Other long-term liabilities	-693	-944	-	-1,638
Unusable reserves - CAA	-330,305	1,615	-90,070	-418,760
Unusable reserves - Revaluation Reserve	-38,192	-649	18,421	-20,421
Capital receipts deferred	-796	-287	-	-1,083
Useable reserves - Earmarked Reserves	-24,939	-290	-45	-25,274

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(b) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Property, Plant and Equipment	427,784	2,535	990	431,309
Investment property	69,003	-1,760	-2,669	64,574
Long-term debtors	1,368	287	-	1,655
Short-term debtors (net of impairment)	60,078	350	7	60,435
Other short-term liabilities	-	-683	-268	-951
Other long-term liabilities	-871	-977	220	-1,628
Unusable reserves - CAA	-259,930	1,534	-99,148	-357,543
Unusable reserves - Revaluation Reserve	-60,873	-649	19,565	-41,957
Capital receipts deferred	-756	-287	0	-1,043
Useable reserves - Earmarked Reserves	-23,418	-350	-610	-24,378

2009/10 CIES *Cost of Service*	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(b) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Cultural, Environmental, Regulatory and Planning	28,970	-74	2,901	31,797
Education and Children's Services	46,808	-231	1,317	47,893
Interest payable & similar charges	4,108	153	38	4,299
Interest & Investment income	-920	-23	-	-943
Investment property income, & changes in fair value & gains/loss on disposal	-	23	-3,833	-3,810

1(c) <u>Government Grants</u>

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- There were some balance of grants that had been received but not used in the 2009/10 accounts. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, part of the grants have been recognised in Capital Grants Receipts in Advance (where grant conditions have not been met) and part of the grants have been recognised in Capital Grants Unapplied Account via the CIES (where grant conditions have been met).
- Revenue grants previously recognised as Short Term Creditors have been recognised in the Comprehensive Income and Expenditure Statement (where grant conditions have been met). These have subsequently been transferred to an Earmarked Reserve.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(c) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Capital grants and contributions unapplied	-10,270	10,270	-	0
Capital grants receipts in advance	-	-9,609	-	-9,609
Government grants deferred	-71,631	71,631	-	0
Capital adjustment account	-330,305	-71,631	-16,823	-418,760
Useable reserve - Capital Grants Unapplied Account	-	-661	-	-661

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(c) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Short-term creditors	-74,151	120	-3,626	-77,657
Capital grants and contributions unapplied	-16,040	16,040	-	0
Capital grants receipts in advance	-	-15,329	-	-15,329
Government grants deferred	-80,924	80,924	-	0
Capital adjustment account	-259,930	-81,007	-16,606	-357,543
Usable reserves - Capital grants Unapplied Account	-	-661	-	-661
Usable reserves - General Fund Balance	-7,112	83	58	-6,971
Useable reserves - Earmarked reserves	-23,418	-170	-790	-24,378

2009/10 CIES *Cost of Service*	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(c) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Cultural, Environment, Regulatory and Planning	28,970	259	2,568	31,797
Education and Children's services	220,541	537	-173,185	47,893
Highways & Transport services	21,218	360	-6,472	15,106
Other Housing services	60,149	4	-55,381	4,772
Adult Social Care	60,188	7	-20,933	39,262
Other Operating - Gains or Losses on disposal of Fixed Assets (excl. IP)	57,467	4,194	703	62,364
Taxation and Non-Specific Grant Income - Recognised Capital Income (Grants, Contributions & Donations)	-	-14,823	-	-14,823

1(d) Cash and Cash Equivalents

Cash Equivalents are investments that mature within 28 days or less from the balance sheet date and that are readily converted to known amounts of cash with insignificant risk of change in value.

As a consequence of classifying transactions to cash equivalents the financial statements have been amended as follows:

- Short Term Investments at 31 March 2009 have been reclassified as cash equivalents and reflected in the opening balance sheet.
- The 2009/10 transactions arising from Short Term Investments have been reclassified as cash equivalents and reflected in the balance sheet as at 31 March 2010.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(d) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Short-term investments	45,756	-16,751	-	29,005
Cash and cash equivalents	18,081	16,751	-	34,832

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(d) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Short-term investments	56,452	-32,059	-	24,393
Cash and cash equivalents	7,364	32,059	-	39,424

1(e) Provisions

Provisions that are to be used within 12 months of the balance sheet date have been reclassified as current provisions. Non-current provisions have been discounted to reflect the time-value of money of the expected period that the provision is anticipated to be held for on the balance sheet before being used, which impacts on the Comprehensive Income and Expenditure Statement.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(e) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Current Provisions	-	-436	-	-436
Non-current Provisions	-1,581	480	-	-1,100
Useable reserves - Earmarked reserves	-24,939	-45	-290	-25,274

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(e) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Current Provisions	-	-1,984	-	-1,984
Non-current Provisions	-7,361	2,418	-	-4,944
Useable reserves - Earmarked reserves	-23,418	-433	-527	-24,378

2009/10 CIES *Cost of Service*	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(e) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Education and children's services	46,808	-14	1,100	47,893
Other housing services	4,735	-2	39	4,772
Cultural, environment, regulatory and planning	28,970	-19	2,846	31,797
Highways & transport services	15,353	-364	117	15,106
Adult social care	39,403	-13	-129	39,262
Central services to the public	2,613	-12	7	2,609
Corporate and Democratic Core	3,672	-2	7	3,677
Interest payable & similar charges	4,108	38	153	4,299

1(f) <u>Fixed Assets</u>

There are a number of changes in respect of Fixed Assets, as detailed below:

- Revaluation Reserve balances in respect to Investment Property have been transferred to the Capital Adjustment Account.
- Investment Property that do not meet the strict definition under the Code have been reclassified to Property, Plant and Equipment, and revalued accordingly (revaluations being posted to either the Revaluation Reserve or the Capital Adjustment Account)
- An asset meets the strict definition of Assets Held for Sale and has been reclassified accordingly.
- There were also some minor adjustments due to non-IFRS transition issues

2009/10 CIES *Cost of Service*	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(e) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Education and children's services	46,808	-14	1,100	47,893
Other housing services	4,735	-2	39	4,772
Cultural, environment, regulatory and planning	28,970	-19	2,846	31,797
Highways & transport services	15,353	-364	117	15,106
Adult social care	39,403	-13	-129	39,262
Central services to the public	2,613	-12	7	2,609
Corporate and Democratic Core	3,672	-2	7	3,677
Interest payable & similar charges	4,108	38	153	4,299

31 March 2010 Balance Sheet	**SORP 2009/10 Statements £000**	**Adjustments in Note 1(f) £000**	**Other Note 1 adjustments £000**	**Code 2009/10 Statements £000**
Intangible assets	1,460	-	-	1,460
Property, plant and equipment	427,784	1,330	2,195	431,309
Investment property	69,003	-3,075	-1,354	64,574
Assets held for sale	-	243	-	243
Unusable reserves - CAA	-259,930	-17,603	-80,011	-357,543
Unusable reserves - Revaluation Reserve	-60,873	19,047	-130	-41,957
Usable reserves - General Fund Balance	-7,112	58	83	-6,971

2009/10 CIES *Cost of Service*	SORP 2009/10 Statements £000	Adjustments in Note 1(f) £000	Other Note 1 adjustments £000	Code 2009/10 Statements £000
Central Services to the Public	2,613	4	-8	2,609
Cultural, Environment, Regulatory and Planning	28,970	2,731	95	31,797
Education and Children's services	46,808	-88	1,174	47,893
Highways & Transport services	15,353	-261	14	15,106
Other Housing services	4,735	29	8	4,772
Adult Social Care	39,403	-169	27	39,262
Corporate and Democratic Core	3,672	5	1	3,677
Non Distributed Costs	-112	16	0	-95
Gains or Losses on disposal of Fixed Assets	57,467	703	4,279	62,449
Investment property income, & changes in fair value & gains/loss on disposal	-	-3,426	23	-3,403

1(g) <u>Other Adjustments</u>

Apart from the adjustments described elsewhere in Note 1, there was an adjustment of £85k relating to accounting of Levies which has moved from Cultural, Environment, Regulatory and Planning.

2. Acquired Operations

During 2010/11 Bedford Bereavement Care Ltd (a 100% owned company) was transferred into Bedford Borough Council. The balances have been consolidated into the Council's balance sheet as follows:

Balances Acquired	£'000
Property, Plant & Equipment	437
Investments	393
Cash	135
Creditors	-10
Pension Liability	-523
Other Long Term Liabilities	-370
	62
Usable Reserves	-585
Unusable Reserves	523
	-62

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/2012 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets.

Full adoption of the standard will be required for the 2011/2012 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/2012 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

The Council has reviewed the definition of heritage assets and has concluded that the Council may have the following heritage assets:

- Historical assets held in Archives
  - Bedfordshire and Luton Archives & Records Service (hosted by Bedford Borough Council, but funded under SLAs by Central Bedfordshire Council and Luton Borough Council as well) holds the historic and administrative archives for the County of Bedfordshire, some five kilometres of records dating from 1166 to the present. The archives, ranging from a single piece of paper to thousands of documents, are held by us under a variety of terms, the most common ones being outright gift or loan-term loan. In some cases former long-term loans have been converted into gifts, often on the death of the depositor. However, the majority of archives deposited with us are on long-term loan. No attempt has been made to assign a cash or insurance value to this irreplaceable historical and cultural heritage.
  - Four prominent archives which are *actually owned* by the authority and its funding partners are as follows:
    - Orlebar family and estate collection, Hinwick, Podington and environs; deeds and a wide-ranging collection of family papers. Purchased in 1986 following an appeal after the collection, on loan here, was threatened with sale and dispersal.
    - Bedford Borough' own archives, including the first known Charter of 1166, and corporation minute books from 1647.
    - Casebourne family collection of papers and images.
    - Luton Fraternity Guild book, 1527-1547, including manorial court rolls, 1470-1558 purchased with the aid of the Victoria and Albert museum grant fund, 1983

- Art Gallery and Musuem artefacts
  - The majority of the Art Gallery collection is owned by the Cecil Higgins Trustees. The items below are those under Council ownership.
    - Several hundred works of art (prints, drawings, watercolours and oil paintings). Of these, the Sisley has by far the highest value at around £1.2m – the majority of the remaining works have not been valued.
    - Several hundred pieces of costume and textiles, as well as a large collection of local lace – the vast majority has not been valued.
    - Several hundred items of jewellery, furniture, *objets d'art* etc – the vast majority of which has not been valued.
  - Several excavation archives from archaeological investigations within the Museum's collecting area, numbering many thousands of single objects. These are extremely difficult to assign a value to as they are historical records.
  - A large collection (several thousand) of local archaeological objects, for which no up-to-date valuation is available. Within this, objects or collections of significance include:
    - Medieval stone corbels
    - Church silver and manuscripts
    - Several thousand coins
    - Antiquarian and recent finds of pottery and metalwork
    - A collection (several hundred) of foreign archaeological objects, for which no up-to-date valuation is available. Objects or collections of significance include:
    - Greek, Cypriot and Roman pottery
    - Egyptian and Mesopotamian/Assyrian archaeology
    - A large collection (several thousand) of social history objects relating to local industry, domestic life, arts & crafts.

- Mayor's Chain, Mace, and other Civic Regalia. The principal items of note are as follows:-
    - Sterling Silver Mayor's Mace – Hallmarked London 1665
    - One pair of very rare Bailiff's Maces tested and valued as Sterling Silver and Silver Gilt, each c. 1665
    - Mayor's Chain of Office tested and valued as Sterling Silver Gilt
    - The Mayoress' Chain of Office – tested and valued as 15ct gold
    - The collection also contains a number of salvers, including a sterling silver octagonal tray recovered from the R101 Airship crash site, drinking vessels, bowls, desk and table accessories, trophies and awards.
    - The assets above are not recognised in the accounting statements currently due to them having a nil value, being the historic cost value. However, the Council estimates the value of the Civic Regalia to be £170k, based on its insurance records.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise its Civic Regalia on the Balance Sheet using as its base the insurance valuations held by the Authority in respect of the collection. The authority is unlikely to be able to

recognise the Archived assets and museum artefacts in future financial statements as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

As these assets have not yet been recognised in the Balance Sheet, this will require a corresponding increase in the Revaluation Reserve. There is no depreciation charged on the heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Where there are amounts in dispute with other parties, the Council has accounted for the amount it believes is correct. Where appropriate, a provision is set up to account for doubtful amounts.
- Valuation of property is subject to a number of professional judgements. These are carried out by a qualified Valuer, and these assumptions are set out in Note 13.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Council has a provision of £2.6m for the settlement of claims for back pay arising from the Single Status pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.26m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension net liability of approx 32%. Similarly, a 1% increase in the FTSE market would reduce the net liability by approx 2%.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. Material Items of Income and Expense

The following items of material items of income and expense recognised in Net Cost of Services with the surplus or deficit on the provision of services are detailed below. (Other material items of income and expense are disclosed in Notes 10, 11 and 12)

- During 2010/11, the CIES incurred depreciation and impairment charges of £16m and revaluation losses of £7m. However, these have no impact on the General Fund are these are reversed out as required under statutory regulations.
- Additional impairment of Financial Assets (known as Bad Debt provision) of £1m was also made.
- During 2010/11 a transfer of Section 256 Learning Disabilities services, valued at £9.8m, has been completed from Bedfordshire PCT to the Local Authority during 2010/11. This has led to a noticeable increase in the income and expenditure of the Authority for Adult Services for the financial year.
- There is a pension gain of £47m due to a change in the annual indexation from RPI to CPI. CPI is used rather than RPI as a result of the Emergency Budget announcement in June 2010. This change in the pension increase assumption is regarded as a change in benefit and has been treated as a past serve credit (this in line with the recommendation by CIPFA (LAAP bulletin 89 refers) and is included on the Non Distributed Costs line within the Comprehensive Income & Expenditure Statement.

7. Events after the Balance Sheet Date

The Statement of Accounts was certified by the Director of Finance on 29 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- There is a possibility that the Council may be required to pay back a proportion of a grant given by the East of England Development Agency (EEDA) to the former County Council relating to broadband provision. There is a total potential liability of between £100k and £400k of which the Council will pick up a share along with Central Bedfordshire Council.

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Usable Reserves (2009/10) General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000		Usable Reserves (2010/11) General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
				Reversal of items debited or credited to the CIES				
-405			405	Amortisation of intangible assets	-410			410
-12,043			12,043	Depreciation and Impairment of non-current assets	-15,853			15,853
-11,305			11,305	Revaluation losses on Property, Plant and Equipment	-7,648			7,648
3,445			-3,445	Revaluation gains reversing previous losses	1,040			-1,040
738			-738	Movement in market value of investment property	-1,905			1,905
742	-3,003		2,261	Net gain or loss on sale of investment property	75	-112		37
36			-36	Movement in value of held for sale assets				
14,823			-14,823	Capital Grants and Contributions credited to the CIES	12,627			-12,627
-3,331			3,331	Revenue expenditure funded from capital under statute (net of grants)	-2,992			2,992
-62,364	-105		62,468	Net gain or loss on sale of non-current/current assets (excluding investment property)	-35,693	-741		36,433
				Insertion of items not debited or credited to the CIES				
3,124			-3,124	Statutory Provision for Repayment of Debt (MRP)	3,777			-3,777
577			-577	Capital expenditure charged to the General Fund balance (CFCR)	1,987			-1,987
203			-203	Voluntary provision for repayment of debt				
641			-641	Statutory Repayment of Debt (Finance Lease Liabilities)	1,027			-1,027
				Adjustments involving the capital grants unapplied account				
				Capital grants and contributions unapplied credited to the CIES	116		-116	
				Application of grants to capital financing (to capital adjustment account)			97	-97
27			-27	Finance costs adjustment between the Code and statutory requirements	166			-166
				Adjustments involving the capital receipts reserve				
	4,692		-4,692	Capital Receipts applied to fund Capital Expenditure		868		-868
				Capital receipts used on costs of non current asset disposal				
-22	22			Capital Receipts payable to the Housing Capital Receipts Pool	-14	14		
	-40		40	Transfer from Capital Receipts Deferred to Capital Receipts Reserve		-29		29
				Adjustments involving the collection fund adjustment account				
-421			421	Council Tax income adjustment between the Code and statutory requirements	-1,002			1,002
				Adjustment involving the pension reserve				
-17,270			17,270	Reserval of items relating to retirement benefits debited or credited to the CIES	26,518			-26,518
15,711			-15,711	Employer's pension contributions and direct payment to pensioners payabl	14,507			-14,507
				Adjustment involving the accumulated absences account				
-893			893	Remuneration adjustment between the Code and statutory requirments	1,038			-1,038
-67,988	**1,566**	**0**	**66,422**	**Total Adjustments**	**-2,640**	**0**	**-19**	**2,659**

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Balance at 1 April 2009 £000	Transfers between reserves £000	Transfers to/from CIES £000	Balance at 31 March 2010 £000		Balance at 1 April 2010 £000	Transfers between reserves £000	Transfers to/from CIES £000	Other £000	Balance at 31 March 2011 £000
-400	100	-173	**-473**	Corporate Plan Reserve	-473	474	-	-	**1**
-	-100	-	**-100**	Legal Fees	-100	-	-	-	**-100**
-	-500	-	**-500**	Staff Benefits	-500	-	324	-	**-176**
-937	0	-	**-937**	Capital Contingency	-937	-1,256	876	-	**-1,317**
-1,256	0	-	**-1,256**	Capital Reserve	-1,256	1,256	-	-	**-**
-417	0	-584	**-1,001**	Equipment, Vehicle & Plant	-1,001	-	-1,384	-	**-2,385**
-841	65	101	**-675**	Insurance & Risk Mgt Reserve	-675	-	-586	-	**-1,261**
-	-400	-	**-400**	Transitional Costs - Additional	-400	-5,082	866	-	**-4,616**
-	-750	-	**-750**	Bedford I-Tec	-750	400	-	-	**-350**
-	-350	-	**-350**	Demographic & Transition Factors	-350	-	350	-	**-**
-	-200	-	**-200**	Plans & Strategies	-200	-56	-	-	**-256**
-	-1,000	-	**-1,000**	Property Holding Costs	-1,000	-	379	-	**-621**
-1,482	-	-	**-1,482**	BSF Project	-1,482	1,482	-	-	**-**
-	-100	-	**-100**	Adults Social Care Transformation	-100	-	-	-	**-100**
-1,569	-270	-630	**-2,469**	Property Repairs & Renewals	-2,469	-	717	-	**-1,752**
-	-	-2,379	**-2,379**	Local Strategic Partnership	-2,379	-	1,006	-	**-1,373**
-100	100	-429	**-429**	Street Pride Ward Improvement	-429	-	414	-	**-15**
-89	-	-28	**-117**	Software Fund reserve	-117	-400	28	-	**-489**
-47	-	-60	**-107**	River Festival reserve	-107	-	87	-	**-20**
-3,504	1,100	-2,096	**-4,500**	Commercial Services	-4,500	4,987	-487	-	**-**
-334	0	-575	**-910**	IFRS transitional Reserve	-910	-	247	-	**-663**
-	-	-	**-**	Bedford Bereavment Care	-		48	-125	**-77**
-	-	-	**-**	Transformation Reserve	-	-1,860	-	-	**-1,860**
-	-	-	**-**	Supporting People	-	-	-1,055	-	**-1,055**
-	-	-	**-**	Planning Highways Sec 38 income	-	-	-596	-	**-596**
-	-	-	**-**	Reprographics Machinery	-	-	-300	-	**-300**
-	-	-	**-**	Facilities Management Costs	-	-	-120	-	**-120**
-	-	-	**-**	Section 256 contracts transition	-	-	-515	-	**-515**
-	-	-	**-**	Benefit Subsidy Adjustment	-	-	-275	-	**-275**
-	-	-	**-**	Members Ward Fund	-	-	-176	-	**-176**
-	-	-	**-**	BTAC	-	-	-220	-	**-220**
-	-	-	**-**	Approved Contingency Carryforward	-	-	-189	-	**-189**
-9,443	2,305	6,335	**-803**	Other Service reserves	-803	111	-134	-	**-825**
-20,419	**0**	**-518**	**-20,937**	**Earmarked Reserves**	**-20,937**	**56**	**-695**	**-125**	**-21,701**
-4,855	-	1,414	-3,441	School Reserves	-3,441	-	-1,905	127	-5,219
-25,274	**0**	**896**	**-24,378**	**Earmarked Reserves (inc Schools)**	**-24,378**	**56**	**-2,600**	**2**	**-26,920**
-8,841	**-**	**1,870**	**-6,971**	**General Fund**	**-6,971**	**-**	**-774**	**-460**	**-8,205**
-34,113	**0**	**2,766**	**-31,350**	**Total Reserves**	**-31,350**	**56**	**-3,374**	**-458**	**-35,125**

A brief description of those reserves with a balance remaining of over £100k at year-end is given below:

- **Corporate Plan Reserve** - This reserve provides fixed term funding for future needs in relation to the Council's Corporate Plan or one-off needs.
- **Legal Fees** – to cover unforeseen and unexpected service requirements
- Staff Benefits – this reserve is for the protection of car leasing / enhanced car allowances to 31 March 2011, plus allowance to meet cost of car leasing penalties and other staff benefits no longer applying as a consequence of the harmonisation process.
- **Capital Contingency** – it is Council policy to retain a capital contingency to fund:
  - any variation in costs of approved schemes over that budgeted as a result of the tender or contract implementation phases;
  - urgent schemes that arise from time to time and that have not been part of the planned programme option consideration but nevertheless fit in with the Council's corporate priorities;
  - any approved amendment to the uncommitted capital programme on annual review of priorities.

- **Capital Reserve** - In considering the Capital Investment Programme, in respect of schemes which have been committed, Full Council recognised the need for part of its funding to be made from revenue reserves. This reserve represents this funding to meet the approved capital programme.
- **Equipment, Vehicle & Plant** - This reserve covers the replacement cost of Council equipment, vehicles and plant where lease finance is either unavailable or inappropriate.
- **Insurance & Risk Management Reserve** – this reserve is available to cover unexpected claims, including a top-up of the provision should that prove necessary.
- **Performance Reward Grant** – This reserve is for amounts transferred from the County Council relating to unspent Reward grant.
- **Transitional Costs – Additional** – This covers the redundancy and costs associated with efficiency reviews of services areas.
- **Bedford I-Tec** – this reserve enables endeavours to continue to create a sustainable long term future for the service. Target self financing operation by 1 April 2013.
- **Demographic & Transition Factors** – to cover unforeseen and unexpected levels of changes in the population affecting Adults and Children Services.
- **Plans & Strategies** - Periodic refresh of plans and strategies (such as the Local Development Framework, Local Economic Assessment etc.)
- **Property Holding Costs** – to fund satellite offices in the short term until opportunities taken to exit existing lease arrangements.
- **Building School's for the Future Project** – resources set aside to support the BSF project
- **Adults Social Care Transformation** – To provide the capacity to transform aspects of the service in order to secure essential and sustainable improvements.
- **Property Repairs & Renewals** - This reserve covers funding for all committed and outstanding work on the Council's property portfolio (which has been identified through annual planned maintenance programmes) and any emergency or reactive expenditure that has not been pre-planned. There is an ongoing programme of essential maintenance of Council property this is replenished on an annual basis from the renewal and repair contributions in the General Fund budgets.
- **Local Strategic Partnership** – monies held by the Council as accountable body for the partnership.
- Street Pride Ward Improvement **-** This reserve funds the Operation Clean Sweep initiatives aimed at improving neighbourhoods by undertaking focus improvements concentrated on removing grime and decay.
- **Software Fund** - This reserve is required for the purchase of new software for the Council's systems or for major upgrades of existing systems.
- **River Festival -** This reserve represents the funding for the 2012 River Festival
- **Other Service reserves** – Minor reserves held for specific purposes.
- **Commercial Services -** This reserve represents the accumulated surplus from the Commercial Services Department as well as the Repairs & Renewals fund for the replacement of plant and vehicles.
- **IFRS transitional reserve** – This reserve mostly represents the value of discounting applied to non-current provisions.
- **Schools Reserves** – balances of funds transferred to schools through the dedicated schools grant
- **General Fund** – is required to cushion the impact of unexpected events or emergencies and is assessed on a risk based giving consideration to budget pressures, demographic pressures, legislative impacts and the extent to which some services are reliant on external funding.
- **Bedford Bereavement Care reserve** – Reserves carried forward from the transfer to the Council
- **Transformation Reserve** – To invest in resource capacity, project management skills, IT solutions and training to enable transformation proposals to be further evaluated.
- **Supporting People reserve** - Carry forward of underspend to alleviate several commitments in 2011/2012, with a falling reserve balance during the period of contract negotiation..
- **Planning Highways s38 income** – Income received from developers for Planning and Highways Section 38 Agreements. This is to fund the supervision of future highway developments by both the service and Amey when the developers request the provision of the service
- **Reprographics Machinery** – To cover the cost of replacement reprographic machinery.
- **Facilities Management Costs** – Relates to set aside amount required for capital repair costs.
- **Section 256 contracts** – Relates to agreed staff restructuring costs within Papworth, Turning Point and Fremantle to provide longer term ongoing contract savings.
- **Benefits Subsidy** – To allow for amendments to the benefit subsidy claim following external Audit/DWP scrutiny.
- **Members Ward Fund** – This protects the unspent balance from 2010/2011 in order to continue to fund committed projects into 2011/2012.
- **BTAC (Bedford Training and Assessment Centre)** – NVQ qualifications for the Early Years workforce are committed over 18 months and funding for delivery stretches over 2 financial years.
- **Contingency** – Approved Contingency items from 2010/2011 that could not be spent in year and need to be carried forward as commitments into 2011/2012. The balance covers Executive Decisions 822, 872, 905 and an item agreed by the Executive at its meeting on 15 September 2010.

10. Other Operating Expenditure

This is detailed in the following table.

2009/10 £000		2010/11 £000
1,155	Parish council precepts	1,257
86	Levies	90
22	Payments to the Government Housing Capital Receipts Pool	14
-661	Surplus or deficit on trading undertakings (Note 29)	-201
62,364	Gains/losses on the disposal of non current assets	35,714
62,965	**Other Operating Expenditure Total**	**36,873**

The majority of value within the gains/losses on the disposal of non current assets relates to the change in status of Schools.

11. Financing and Investment Income and Expenditure

This is detailed in the following table.

2009/10 £000		2010/11 £000
4,299	Interest payable and similar charges	4,164
10,208	Pensions interest cost and expected return on pensions assets	8,710
-943	Interest receivable and similar income	-1,058
-3,810	Income and expenditure in relation to investment properties and changes in their fair value	-1,570
9,754	**Financing and Investment Income and Expenditure Total**	**10,246**

12. Taxation and Non Specific Grant Income

This is detailed in the following table.

2009/10 £000		2010/11 £000
-72,333	Council tax income	-73,908
-42,914	Non domestic rates	-47,239
-19,950	Non-ringfenced government grants	-18,386
-14,823	Capital grants and contributions	-12,743
-150,020	**Taxation and Non Specific Grant Income Total**	**-152,276**

13. Property, Plant and Equipment

Movements in Balance in 2010/11 are shown in the table below:

	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PP&E £000
Cost or Valuation							
At 1 April 2010	283,566	18,643	134,710	8,086	2,448	10,899	**458,352**
Bedford Bereavement Care - note 2		523					**523**
Additions / Donations	7,196	2,087	9,975	-23	70	6,401	**25,706**
Acc Depreciation & Impairment written out to GCA	-1,605				-13		**-1,617**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,861			4	274		**8,138**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-6,361				-248		**-6,609**
Derecognition - Disposals	-108	-239				-110	**-457**
Derecognition - Other	-36,224	-2,193					**-38,418**
Assets reclassified (to)/from Held for Sale							**0**
Assets reclassified (to)/from Investment Property	4,612						**4,612**
Assets reclassified (to)/from Intangibles						-485	**-485**
Componentisation of assets	-4,630	4,630					**0**
Other movements in Cost or Valuation	1,720	309	1,242		-40	-3,232	**0**
At 31 March 2011	**256,028**	**23,759**	**145,927**	**8,067**	**2,491**	**13,473**	**449,746**
Accumulated Depreciation and Impairment							
At 1 April 2010	-5,230	-8,541	-13,255		-14		**-27,041**
Bedford Bereavement Care - note 2		-85					**-85**
Depreciation charge	-5,664	-3,442	-4,942		-5		**-14,054**
Acc Depreciation written out to GCA	1,605				13		**1,617**
Impairment recognised in the Revaluation Reserve							**0**
Impairments recognised in the CIES (Services)	-1,800						**-1,800**
Derecognition - Disposals		179					**179**
Derecognition - Other	1,260	658					**1,917**
Assets reclassified (to)/from Held for Sale							**0**
Assets reclassified (to)/from Investment Property							**0**
Other movements in Depreciation and Impairment	-1				1		**0**
At 31 March 2011	**-9,832**	**-11,232**	**-18,198**		**-5**		**-39,266**
Net Book Value							
At 31 March 2010	**278,335**	**10,102**	**121,455**	**8,086**	**2,434**	**10,899**	**431,311**
At 31 March 2011	**246,196**	**12,528**	**127,729**	**8,067**	**2,486**	**13,473**	**410,480**

The Additions include balance of £523k (gross) for assets relating to Bedford Bereavement Care Ltd as the service was transferred to Bedford Borough Council during 2010/11.

Comparative Movements in 2009/10:

	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PP&E £000
Cost or Valuation							
At 1 April 2009	402,759	14,564	81,716	7,966	2,478	37,466	**546,949**
Additions / Donations	3,532	3,555	23,226	97		6,681	**37,090**
Acc Depreciation & Impairment written out to GCA	-267						**-267**
Revaluations recognised in the Revaluation Reserve	23,854						**23,854**
Revaluations recognised in the CIES (Services)	-7,859						**-7,859**
Derecognition - Disposals	-81,841	-50				-194	**-82,084**
Derecognition - Other							**0**
Assets reclassified (to)/from Held for Sale							**0**
Assets reclassified (to)/from Investment Property						-13	**-13**
Other movements in Cost or Valuation	2,645	574	29,769	26		-33,042	**-28**
At 31 March 2009	**342,823**	**18,643**	**134,710**	**8,088**	**2,478**	**10,899**	**517,642**
Accumulated Depreciation and Impairment							
At 1 April 2009	-77,560	-6,397	-10,181	-2	-30		**-94,171**
Depreciation charge	-6,778	-2,177	-3,074		-13		**-12,043**
Acc Depreciation written out to GCA	267						**267**
Impairments recognised in the Revaluation Reserve							**0**
Impairments recognised in the CIES (Services)							**0**
Derecognition - Disposals	19,583	32					**19,616**
Derecognition - Other							**0**
Assets reclassified (to)/from Held for Sale							**0**
Assets reclassified (to)/from Investment Property							**0**
Other movements in Depreciation and Impairment							**0**
At 31 March 2010	**-64,488**	**-8,541**	**-13,255**	**-2**	**-44**		**-86,330**
Net Book Value							
At 31 March 2009	**325,198**	**8,167**	**71,535**	**7,963**	**2,448**	**37,466**	**452,778**
At 31 March 2010	**278,335**	**10,102**	**121,455**	**8,086**	**2,434**	**10,899**	**431,311**

Depreciation

The useful lives used in the calculation of depreciation are given within the accounting Policies for Property, Plant and Equipment.

Capital Commitments

At 31 March 2011, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years. The major commitments are:

- Fleet Replacement - £173k
- Norse Road Cemetery Extension - £296k
- Northgate Software - £336k
- Alterations/extensions at the Woodside site - £1,693k

Effects of Changes in Estimates

There are no material effects of changes in estimates other than those disclosed in Note 1.

Schools

As at 1 April 2010 there were 29 Foundation or Trust Schools. During 2010/11 two more schools were awarded foundation or trust status. In addition 5 schools achieved Academy Status during 2010/11. The value of these schools assets have been written out of the Long Term Assets section of the Council's Balance Sheet during the year, and shown as a loss on disposals in the Comprehensive Income and Expenditure Statement – Other Operating Expenditure (see Note 10).

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic prices.

The significant assumptions applied in estimating the fair values are:

- Internal services (e.g. electrics, heating or other building service apparatus) are assumed to be in good repair and condition.
- Service installations will not be tested and it is assumed that they are of adequate supply and capacity, in satisfactory working order and comply with statutory requirements.
- Inspections undertaken will typically be external only and it is assumed that the inspection of assets or parts of assets that have not been inspected would not cause the valuer to alter their initial opinion of value
- It has been assumed that no deleterious or hazardous substances are present and that no latent defects exist.
- It is assumed that there are no contamination issues on individual properties but should it subsequently be identified that contamination, pollution or seepage exists or that the property is being put to a contaminative use this would likely reduce the values reported.
- No title check or local search are be carried out and it is assumed that the property and its value are unaffected by any matters which would be revealed by a local search or inspection of any register, nor subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that the use and occupation are lawful.
- Any mineral value is excluded unless specifically reflected in the valuation
- Where an asset has been damaged by an insured peril it is assumed that the asset is reinstated with a new facility utilising any insured losses.
- It is assumed that non-operational freehold properties will be well maintained that there is no significant backlog and that the asset will have a useful life in excess of 50 years. For leased out properties it is assumed that the parties to the lease/agreement have complied with the required repairing and decorating covenants.
- It is assumed that the Authority will continue to provide sufficient maintenance resources to enable the operational properties to continue to provide the existing level of service for the medium term, unless otherwise stated. All permanent operational properties are considered to have a useful life of 100 years.
- It is assumed that there is no breach of planning regulations relating to the properties being valued. The planning position on specific properties has not been researched although consideration has been given to potential alternative uses under the Local Plan in respect of some properties where considered appropriate. Any specifics or planning assumptions have been stated on the individual valuation.
- It is assumed that ground lease rents will revert to open market values, either rental or capital, upon reversion whenever that may be.

- It is also assumed that commercial leases will be renewed on expiry unless specifically stated in the individual valuation.
- It is assumed that the properties are compliant with the Disability Discrimination Act 1995, The Equality and Diversity Act 2010, The Fire Precautions Act 1971, The Regulatory Reform (Fire Safety) Order 2005, The Health and Safety at Work Act 1974, et al.

The table below shows the values of assets split by type and according to when they were formally valued.

	Other Land and Buildings £000	Community assets £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Asset £000	infrastructure £000	assets under con £000	Total £000
Carried at historical cost	-	8,007	12,528		127,729	13,473	161,738
Valued at fair value as at:							-
31 March 2011	71,591	60		2,348			73,999
31 March 2010	110,368	-	-	-	-		110,368
31 March 2009	228,822	-	-	2,434	-		231,257
Total Cost or Valuation	**410,781**	**8,067**	**12,528**	**4,782**	**127,729**	**13,473**	**577,361**

14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009/10 £000		2010/11 £000
-4,534	Rental income from investment property	-5,055
1,974	Direct operating expenses arising from investment property	1,654
-2,560	**Net gain/(loss)**	**-3,401**

The Council would expect to be able to realise the value and receive the proceeds of disposal inherent in its investment property if disposed of in a strategic manner over a period of time and typically receives income as defined by the existing lease arrangements. The two exceptions to this are in relation to the farms estate inherited from the former County Council where it has been agreed that a proportion of the rental income from the whole estate irrespective of where it is located and capital receipts are shared between the Borough Council and Central Bedfordshire Council (CBC) and the sites subject to an LDF submission by the former County Council, within both Councils' boundaries, where the net proceeds of these will be apportioned between BBC and CBC. The Council has no current contractual obligations to purchase, construct or develop investment property, it does have varying repair and maintenance responsibilities associated with leases that require works to be undertaken periodically.

The following table summarises the movement in the fair value of investment properties:

31 March 2010 £000		31 March 2011 £000
62,609	**Balance at start of the year**	**64,574**
	Additions:	
3,096	- Purchases	
	- Construction	
380	- Subsequent expenditure	89
-2,261	Disposals	-37
738	Net gains/losses from fair value adjustments	-1,905
	Transfers:	
	- to/from Inventories	
13	-to/from Property, Plant and Equipment	-4,612
	Other changes	
64,574	**Balance at end of the year**	**58,109**

15. Intangible Assets

The Council accounts for its software and licences as intangible assets. The intangible assets include both purchased licenses and internally generally software.

Intangible Assets are amortised to the relevant service line(s) in the Comprehensive Income and Expenditure Statement over the economic life of the asset (between 5 and 15 years).

The carrying amount of intangible assets is historical cost, amortised on a straight-line basis. The amortisation for the period has been charged to the relevant service area, and if charged to the IT Service, has then been subsequently absorbed as an overhead across all the service headings, in the Comprehensive Income and Expenditure Statement.

The movement on Intangible Asset balances during the year is as follows:

2009/10 Internally Generated Assets £000	2009/10 Other Assets £000	2009/10 Total £000		2010/11 Internally Generated Assets £000	2010/11 Other Assets £000	2010/11 Total £000
			Balance at start of year:			
	2,802	**2,802**	• Gross carrying amounts		3,021	**3,021**
	-1,156	**-1,156**	• Accumulated amortisation		-1,561	**-1,561**
0	**1,646**	**1,646**	**Net carrying amount at start of year**	**0**	**1,460**	**1,460**
			Additions:			
			• Internal development	29		**29**
	219	**219**	• Purchases		405	**405**
			• Transferred from PPE Asset Under Construction		485	**485**
	-405	**-405**	Amortisation for the period		-410	**-410**
0	**1,460**	**1,460**	**Net carrying amount at end of year**	**29**	**1,941**	**1,970**
			Comprising:			
	3,021	**3,021**	• Gross carrying amounts	29	3,911	**3,940**
	-1,561	**-1,561**	• Accumulated amortisation		-1,971	**-1,971**
0	**1,460**	**1,460**		**29**	**1,941**	**1,970**

There are three items of capitalised software that are individually material to the financial statements:

31 March 2010 £000	Remaining Amortisation Period	Description of Intangible Assets	31 March 2011 £000	Remaining Amortisation Period
1,260	5	Purchases software	1,518	5
-	-	Internally generated software	29	10
200	3	Licences, trademarks and artistic originals	422	8

Please note a weighted average of the remaining amortisation period has been calculated

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

At 1 April 2009		At 31 March 2010			At 31 March 2011	
Current £000	Long-term £000	Current £000	Long-term £000		Current £000	Long-term £000
				Investments		
29,005	3,609	24,387		Loans and receivables	43,824	
		6		Available-for-sale financial assets	7	
				Unquoted equity investment at cost		
				Financial assets at fair value through profit and loss		
29,005	**3,609**	**24,393**	**0**	**Total investments**	**43,831**	**0**
				Debtors		
22,934	1,497	60,435	1,655	Loans and receivables	40,114	1,941
				Financial assets carried at contract amounts		
22,934	**1,497**	**60,435**	**1,655**	**Total Debtors**	**40,114**	**1,941**
				Borrowings		
-852	-89,626	-851	-89,670	Financial liabilities at amortised cost	-3,782	-95,734
				Financial liabilities at fair value through profit and loss		
-852	**89,670**	**-851**	**89,670**	**Total borrowings**	**-3,782**	**-95,734**
				Other Long Term Liabilities		
-529	-1,638	-951	-1,628	Finance lease liabilities	-738	-1,324
-529	**-1,638**	**-951**	**-1,628**	**Total other long term liabilities**	**-738**	**-1,324**
				Creditors		
				Financial liabilities at amortised cost		
-29,607		-77,657		Financial liabilities carried at contract amount	-48,488	
-29,607	**0**	**-77,657**	**0**	**Total creditors**	**-48,488**	**0**

Reclassifications

In 2010/11 the Council did not reclassify any financial investments (other than those disclosed in Note 1 to Cash & Cash equivalents).

Income, Expense, Gains and Losses

This table shows amounts recognised in the Comprehensive Income and Expenditure Statement.

	2010/11					
	Financial Liabilities		Financial Assets			
	Liabilities measured at amortised cost	Finance Lease Interest	Financial assets carried at contract amounts	Loans and receivables	Available-for-sale assets	Total
	£000	£000	£000	£000	£000	£000
Interest expense	3,965	188				**4,153**
Losses on derecognition						**0**
Reductions in fair value						**0**
Impairment losses			1,062			**1,062**
Fee expense	11					**11**
Total expense in Surplus or Deficit on the Provision of Services	**3,975**	**188**	**1,062**	**0**	**0**	**5,226**
Interest income				-893		**-893**
Interest income accrued on impaired financial assets						**0**
Increases in fair value				-261		**-261**
Gains on derecognition				106		**106**
Fee income				-10		**-10**
Total income in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**	**-1,058**	**0**	**-1,058**
Gains on revaluation						**0**
Losses on revaluation						**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment					-1	**-1**
Surplus/deficit arising on revaluation of financial assets in Other CIES	**0**	**0**	**0**	**0**	**-1**	**-1**
Net gain/(loss) for the year	**3,975**	**188**	**1,062**	**-1,058**	**-1**	**4,167**

Comparative information for 2009/10 is set out in the table below:

	2009/10					
	Financial Liabilities		**Financial Assets**			
	Liabilities measured at amortised cost	**Finance Lease Interest**	**Financial assets carried at contract amounts**	**Loans and receivables**	**Available-for-sale assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Interest expense	4,094	206				**4,299**
Losses on derecognition						**0**
Reductions in fair value						**0**
Impairment losses			585			**585**
Fee expense						**0**
Total expense in Surplus or Deficit on the Provision of Services	**4,094**	**206**	**585**	**0**	**0**	**4,884**
Interest income				-1,433		**-1,433**
Interest income accrued on impaired financial assets						**0**
Increases in fair value				473		**473**
Gains on derecognition						**0**
Fee income				17		**17**
Total income in Surplus or Deficit on the Provision of Services	**0**	**0**	**0**	**-943**	**0**	**-943**
Gains on revaluation						**0**
Losses on revaluation						**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment					1	**1**
Surplus/deficit arising on revaluation of financial assets in Other CIES	**0**	**0**	**0**	**0**	**1**	**1**
Net gain/(loss) for the year	**4,094**	**206**	**585**	**-943**	**1**	**3,942**

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of PWLB loans is calculated using the premature repayment rates published by the PWLB and applying at 31 March 2011.
- The fair value of market loans is calculated using SWAP rates (i.e. the cost of an equivalent loan having the same remaining term).
- Estimated ranges of interest rates at 31 March 2011 of 1.9% to 5.3% for loans from the PWLB and 4.0% to 4.1% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature within the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2010			**31 March 2011**	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair Value**
£000	**£000**		**£000**	**£000**
-90,522	-93,097	Financial liabilities (Borrowings)	-99,516	-105,088
-	-	Long-term creditors	-	-

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

31 March 2010			31 March 2011	
Carrying amount £000	**Fair value £000**		**Carrying Amount £000**	**Fair value £000**
24,393	24,545	Loans and receivables (Investments)	43,831	43,831
-	-	Long-term debtors	-	-

The fair value of the assets is shown as the same as the carrying amount because all loans and receivables have less than one year to maturity.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

A breakdown of the Council's inventories are given below:

	Leisure and Recreation	Cemeteries	Commerical Services	ICT	Other	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at 1 April 2009	**235**	**121**	**76**	**13**	**53**	**498**
Purchases	121	0	1,314	39	306	**1,781**
Recognised as an expense in the year	-230	-38	-1,333	0	-277	**-1,878**
Written off balances	0	0	0	0	0	**0**
Reversals of write-offs in previous years	0	0	0	0	0	**0**
Balance outstanding at 31 March 2010	**127**	**83**	**58**	**52**	**81**	**401**
Purchases	18	0	2,375	0	157	**2,551**
Recognised as an expense in the year	-27	-16	-2,408	-45	-204	**-2,699**
Written off balances	0	0	0	0	-13	**-13**
Reversals of write-offs in previous years	0	0	0	0	0	**0**
Balance outstanding at 31 March 2011	**118**	**67**	**25**	**8**	**21**	**239**

18. Short-Term Debtors

The main categories of Short-Term Debtors (and impairments) on the Balance Sheet are disclosed in the table below:

31 March 2010		31 March 2011
£000		**£000**
9,510	Central government bodies	7,065
27,190	Other local authorities	17,120
6,397	NHS bodies	1,258
4,848	Public corporations and trading funds	1,842
14,332	Other entities and individuals	15,742
62,277	**Total**	**43,027**
-1,852	**Less Impairment of Debtors**	-2,914
60,425	**Total**	**40,113**

The major of the impairment of debtors relates to Other Entities and Individuals, and has been analysed across all headings.

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
151	148	Cash held by the Council	122
17,930	7,217	Bank current accounts	4,750
16,751	32,059	Short-term deposits in UK banks & investments in money market funds	25,757
34,832	**39,424**	**Total Cash and Cash Equivalents**	**30,629**

20. Assets Held for Sale

The following table shows the movements in Asset Held for Sale:

Current 2009/10 £000	Non Current 2009/10 £000		Current 2010/11 £000	Non Current 2010/11 £000
-	**208**	**Balance outstanding at start of year**	**-**	**243**
		Assets newly classified as held for sale:		
-	-	Property, Plant and Equipment	-	-
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	-	Revaluation losses	-	-
-	36	Revaluation gains	-	-
-	-	Impairment losses	-	-
	-	Assets declassified as held for sale:		-
-	-	Property, Plant and Equipment	-	-
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	-	Assets sold	-	-
-	-	Transfers from non current to current	243	-243
-	-	[Other movements]	-	-
-	**243**	**Balance outstanding at year-end**	**243**	**-**

21. Short-Term Creditors

The main categories of Short-Term Creditors on the Balance Sheet are disclosed in the table below:

31 March 2010 £000		31 March 2011 £000
-17,121	Central government bodies	-2,886
-13,942	Other local authorities	-7,225
-3,321	NHS bodies	-710
-83	Public corporations and trading funds	-96
-43,190	Other entities and individuals	-37,571
-77,657	**Total**	**-48,488**

Balances at 1 April 2009 have not been shown as they are not comparable, due to the Council achieving Unitary status on this date.

22. Provisions

A breakdown of the Council's provisions are given below:

2010/11	Balance at 1 April 2010 £000	New Provisions £000	Release Provision £000	Transfer between current and non current £000	Discount Provision £000	Balance at 31 March 2011 £000
Single Status Provision	-1,576	-1,032	0	0	-6	**-2,614**
Unitary Redundancies	0	0	0	0	0	**0**
Section 256	-127	0	127	0	0	**-0**
Insurance Provision- Current	-240	-111	0	0	0	**-351**
Bedford Western Bypass	-4,040	0	0	0	-69	**-4,109**
CPO 39 Pyms Close Provision	0	-108	0	0	0	**-108**
Liability arising from former Beds CC	0	-900	0	0	0	**-900**
Benefit Subsidy Clawback'	0	-175	0	0	0	**-175**
Other	-945	-334	133	0	27	**-1,119**
Total	**-6,928**	**-2,660**	**260**		**-48**	**-9,376**
Current Provision	-1,984	-2,326	260	-188	-7	-4,245
Non Current Provision	-4,944	-334	0	188	-41	-5,131
Total	**-6,928**	**-2,659**	**260**		**-48**	**-9,376**

2009/10	Balance at 1 April 2009 £000	New Provisions £000	Release Provision £000	Transfer between current and non current £000	Discount Provision £000	Balance at 31 March 2010 £000
Single Status Provision	-904	-647	0	0	-25	**-1,576**
Unitary Redundancies	-372	0	372	0	0	**0**
Section 256	0	-127	0	0	0	**-127**
Insurance Provision- Current	0	0	0	-240	0	**-240**
Bedford Western Bypass	0	-4,400	0	0	360	**-4,040**
CPO 39 Pyms Close Provision	0	0	0	0	0	
Liability arising from former Beds C	0	0	0	0	0	
Benefit Subsidy Clawback'	0	0	0	0	0	
Other	-260	-1,042	64	240	53	**-945**
Total	**-1,536**	**-6,216**	**436**		**388**	**-6,928**
Current Provision	-436	-808	409	-1,118	-30	-1,984
Non Current Provision	-1,100	-5,408	27	1,118	419	-4,944
Total	**-1,536**	**-6,216**	**436**		**389**	**-6,928**

Brief explanations of what the main provisions with balances at 31 March 2011 represent are given below.

- **Single Status** for the financial impact of the implementation of for the Council, including national insurance and pension costs.
- **Unitary Redundancies** are for the costs of redundancies following restructuring of staffing in order to deliver more streamlined services.
- **Section 256** is for possible bad debts that may arise from the final agreement with Health and Central Bedfordshire Council.
- **Insurance Provision** has been set aside for specific and known insurance liabilities. Approximately 25% is expected to be spent within 1 year, 50% within 2 – 5 years, and the remainder after 5 years.
- **Bedford Western Bypass** for the known liabilities outstanding while the final account is completed. Due to on-going negotiations, the vast majority of this is likely to be spent within 2 to 5 years.
- **Liability arising from former Beds CC** relates to the net liabilities expected to be met by the Council arising from the disaggregation of the former County Council's assets and liabilities.

All other provisions are individually insignificant.

23. Usable Reserves

Movement in the Council's Usable Reserves are detailed in the Movement in Reserves Statement (see page 8), and the disclosure notes 8 and 9 relating to Adjustments between Accounting Basis and Funding Basis Under Regulations and Transfer to/from Earmarked Reserves, respectively

24. Unusable Reserves

01-Apr-09 £000	31-Mar-10 £000		Notes	31-Mar-11 £000
-20,420	-41,957	Revaluation Reserve	(a)	-48,009
-4	-3	Available for Sale Financial Instruments Reserve	(b)	-4
-418,760	-357,543	Capital Adjustment Account	(c)	-315,780
433	406	Financial Instruments Adjustment Account	(d)	240
-1,083	-1,043	Deferred Capital Receipts Reserve	(e)	-1,014
126,700	246,802	Pensions Reserve	(f)	139,612
-2,776	-2,355	Collection Fund Adjustment Account	(g)	-1,353
2,732	3,626	Accumulated Absences Account	(h)	2,588
-313,178	**-152,068**	**Total Unusable Reserves**		**-223,719**

a) <u>Revaluation Reserve</u>

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000	
-20,420	**Balance at 1 April**		**-41,957**
-24,082	Upward revaluation of assets	-9,489	
227	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,348	
-23,854	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**-8,140**
	Revaluation Reserve written out on revaluation transfer	24	
844	Difference between fair value depreciation and historical cost depreciation	841	
1,474	Accumulated gains on assets sold or scrapped	1,223	
2,318	Amount written off to the Capital Adjustment Account		**2,088**
-41,957	**Balance at 31 March**		**-48,009**

b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10 £000		2010/11 £000
-4	**Balance at 1 April**	**-3**
-	Upward revaluation of investments	-1
1	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
-3		-4
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
-3	**Balance at 31 March**	**-4**

c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and also revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 (the date that the Revaluation Reserve was created to hold such gains).

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	
-418,760	**Balance at 1 April**		**-357,543**
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
12,043	Charges for depreciation and impairment of non current assets	15,853	
11,305	Revaluation losses on Property, Plant and Equipment	7,648	
-3,445	Revaluation gains reversing previous losses	-1,040	
405	Amortisation of intangible assets	409	
3,331	Revenue expenditure funded from capital under statute	2,992	
2,261	Investment property written off on disposal or sale as part of the gain/loss on disposal to the CIES	37	
62,468	Non current assets (excluding investment property) written off on disposal or sale as part of the gain/loss on disposal to the CIES	36,433	
-1,474	Accumulated gains on assets sold or scrapped	-1,223	
86,895		**61,108**	
-844	Adjusting amounts written out of the Revaluation Reserve		-841
86,050	**Net written out amount of the cost of non current assets consumed in the year**		**60,267**
	Capital financing applied in the year:		
-4,692	Use of the Capital Receipts Reserve to finance new capital expenditure	-868	
-14,823	Capital grants and contributions credited to the CIES that have been applied to capital financing	-12,627	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-97	
-	Revaluation reserve balances written out on transfer	-24	
-203	Voluntary provision for repayment of debt		
-3,124	Statutory provision for the financing of capital investment charged against the General Fund	-3,777	
-641	Statutory repayment of debt (finance lease liabilities)	-1,027	
-577	Capital expenditure charged against the General Fund	-1,987	
-24,060		**-20,408**	
-738	Movements in the market value of Investment Properties debited or credited to the CIES		1,905
-36	Movements in assets held for sale debited or credited to the CIES		
-357,543	**Balance at 31 March**		**-315,780**

d) <u>Financial Instruments Adjustment Account</u>

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the impact on council tax. The Council also uses the account to reverse the impact on the General Fund of charging interest foregone on soft loans to the Comprehensive Income and Expenditure statement.

2009/10 £000		2010/11 £000
433	**Balance at 1 April**	**406**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-261
-10	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-10
423		**135**
-17	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	106
406	**Balance at 31 March**	**241**

e) Deferred Capital Receipts Reserve

The Council holds a balance of Long Term Debtors and a matching balance relating to Deferred Capital Receipts. These balances relate to Mortgages arising from the sale of Council houses which are not immediately payable, but are repayable over a longer period and in respect of a finance lease. When principal payments are received the Long Term Debtor is reduced and a matching amount is transferred from Deferred Capital Receipts to Capital Receipts Reserve in respective of the mortgages. However, in respect of the finance lease, as it was in existence before 31 March 2010 statutory mitigation (SI 2010/454) applies whereby principal payments are classified as revenue (not capital), as such a matching amount is transferred from Deferred Capital Receipts to the Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
-1,083	**Opening balance**	**-1,043**
40	Transfer from Capital Receipts Deferred to Capital Receipts Reserve	29
-1,043	**Closing Balance**	**-1,014**

f) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
126,700	**Balance at 1 April**	**246,803**
	Bedford Bereavement Care (note 2)	523
118,545	Actuarial gains or losses on pensions assets and liabilities	-66,688
17,270	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-26,518
-15,712	Employer's pensions contributions and direct payments to pensioners payable in the year	-14,507
246,803	**Balance at 31 March**	**139,612**

g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000		2010/11 £000
-2,776	**Balance at 1 April**	**-2,355**
421	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,002
-2,355	**Balance at 31 March**	**-1,353**

h) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000
2,732	**Balance at 1 April**	**3,626**
-2,732	Settlement or cancellation of accrual made at the end of the preceding year	-3,626
3,626	Amounts accrued at the end of the current year	2,588
893	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,038
3,626	**Balance at 31 March**	**2,588**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £'000		2010/11 £'000
-1,084	Interest Received	-983
-75	Dividends received	-
364	Interest Paid	3,882

26. Cash Flow Statement – Investing Activities

The following table summaries the investment activities.

2009/10 £'000		2010/11 £'000
45,262	Purchase of property, plant and equipment, investment property and intangible assets	38,891
536,927	Purchase of short-term and long-term investments	431,381
-473	Other payments for investing activities	-
-3,086	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-839
-544,676	Proceeds from shot-term and long-term investments	-412,471
-28,003	Other receipts from investing activities (including capital grants)	-35,696
5,952	**Net cash flows from investing activities**	**21,266**

27. Cash Flow Statement – Financing Activities

The following table summaries the financing activities.

2009/10 £'000		2010/11 £'000
-1,291	Cash receipts of short and long-term borrowing	-63,209
630	Other receipts from financing activities	-823
891	Cash payments for the reduction of the outstanding liabilities (finance leases)	972
-4	Repayments of short- and long-term borrowing	53,681
1	Other payments for financing activities	190
227	**Net cash flows from financing activities**	**-9,189**

During the year the Council restructured £30 million of debt from those loans repayable at the end of the loan period to those repaid on an equal basis throughout the loan period. This has meant a noticeable increase on borrowing receipts and repayments during 2010/11 in comparison to 2009/10.

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for within Finance & Corporate Services and not charged to Directorates.

The income and expenditure of the Council's principal Directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11 Figures	**Adults Services £000**	**Chief Executive £000**	**Childrens £000**	**Corporate Finance £000**	**Environ't & Sustain. Communities £000**	**Corporate Budgets £000**	**Financing £000**	**Total £000**
Fees, charges & other service income	-19,565	-5,395	-6,888	-8,684	-14,916	-5,342	-	**-60,791**
Government grants & contributions	-6,689	-1,927	-146,868	-64,766	-9,931	-1,515	-129,009	**-360,704**
Total Income	**-26,253**	**-7,323**	**-153,756**	**-73,450**	**-24,848**	**-6,857**	**-129,009**	**-421,495**
Employee expenses	11,239	8,718	24,817	12,309	11,755	5,034	-	**73,871**
Other service expenses	49,356	13,354	154,823	73,004	43,445	10,299	1,257	**345,540**
Support service recharges	-	-	-	-	-	-	-	**0**
Total Expenditure	**60,595**	**22,072**	**179,640**	**85,313**	**55,201**	**15,334**	**1,257**	**419,411**
Net Expenditure	**34,342**	**14,749**	**25,884**	**11,863**	**30,353**	**8,477**	**-127,752**	**-2,084**

Comparatives for 2009/10 are:

Directorate Income and Expenditure 2009/10 Comparative Figures	Adults Services £000	Chief Executive £000	Childrens £000	Corporate Finance £000	Environ't & Sustain. Communities £000	Corporate Budgets £000	Financing £000	Total £000
Fees, charges & other service income	-17,307	-4,926	-17,487	-10,686	-15,338	-5,066	-	**-70,811**
Government grants & contributions	-4,786	-4,118	-140,508	-60,126	-8,864	-253	-125,573	**-344,227**
Total Income	**-22,092**	**-9,044**	**-157,995**	**-70,812**	**-24,202**	**-5,319**	**-125,573**	**-415,038**
Employee expenses	10,729	9,026	168,285	12,266	11,236	5,819	-	**217,360**
Other service expenses	45,862	16,496	11,964	70,823	48,219	5,028	1,155	**199,548**
Support service recharges	-	-	-	-	-	-	-	**0**
Total Expenditure	**56,591**	**25,522**	**180,249**	**83,090**	**59,455**	**10,847**	**1,155**	**416,908**
Net Expenditure	**34,499**	**16,478**	**22,254**	**12,277**	**35,252**	**5,529**	**-124,418**	**1,870**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service income and expenditure for 2009/10 and 2010/11 relate to the cost of services included in the Comprehensive Income and Expenditure Statement

2009/10 £000	Reconciliation of [Directorate] Income and Expenditure to Cost of Services in the Comprehensive	2010/11 £000
1,870	Net expenditure in the Directorate Analysis	-2,084
-	Net expenditure of services and support services not included in the Analysis	-790
24,137	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-37,314
122,047	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure	144,668
148,054	**Cost of Services in Comprehensive Income and Expenditure Statement**	**104,480**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service income and expenditure for 2009/10 and 2010/11 relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11 figures	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
	-59,732	-68,394	1,972	45,610	3,674	**-76,871**	-23,831	**-100,702**
Interest and investment income	-1,058					**-1,058**	-1,058	**-2,116**
Income from council tax	-72,905			72,905		**0**	-72,905	**-72,905**
Government grants and contributions	-287,799			67,700	3	**-220,095**	-67,977	**-288,072**
Total Income	**-421,495**	**-68,394**	**1,972**	**186,216**	**3,677**	**-298,025**	**-165,771**	**-463,796**
Employee expenses	73,871	32,017	-50,459	-18,889	-13,035	**23,505**	15,793	**39,298**
Other service expenses	340,105	35,587	-10,326	-22,673	-7,715	**334,979**	14,123	**349,103**
Support Service recharges	-				18,450	**18,450**		**18,450**
Depreciation, amortisation and impairment	-		21,499		-1,377	**20,123**	-9,465	**10,657**
Interest Payments	4,164					**4,164**	4,164	**8,327**
Precepts & Levies	1,257					**1,257**		**1,257**
Payments to Housing Capital Receipts Pool	14			14		**27**	14	**41**
Gain or Loss on Disposal of Fixed Assets	-					**0**	35,985	**35,985**
Total expenditure	**419,411**	**67,604**	**-39,286**	**-41,548**	**-3,677**	**402,504**	**60,614**	**463,118**
Surplus or deficit on the provision of services	**-2,084**	**-790**	**-37,314**	**144,668**	**0**	**104,480**	**-105,158**	**-678**

Comparative for 2009/10 are:

2009/10 comparative figures	**Directorate Analysis £000**	**Services and Support Services not in Analysis £000**	**Amounts not reported to management for decision making £000**	**Amounts not included in I&E £000**	**Allocation of Recharges £000**	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	-68,050	-	-	-26,339	4,233	**-90,156**	-14,196	**-104,352**
Interest and investment income	-2,761	-	-	2,761	-	**0**	-943	**-943**
Income from council tax	-72,753	-	-	72,753	-	**0**	-72,333	**-72,332**
Government grants and contributions	-271,474	-	-	62,978	1,646	**-206,850**	-77,687	**-284,537**
Total Income	**-415,038**	**0**	**0**	**112,154**	**5,878**	**-297,006**	**-165,159**	**-462,165**
Employee expenses	217,360	-	1,772	-8,988	-13,834	**196,310**	9,528	**205,838**
Other service expenses	194,028	-	-427	30,198	-10,259	**213,540**	11,143	**224,683**
Support Service recharges	-	-	-	-	17,926	**17,926**	0	**17,926**
Depreciation, amortisation and impairment	-	-	22,792	-5,795	288	**17,285**	-738	**16,547**
Interest Payments	4,257	-	-	-4,257	-	**0**	4,299	**4,299**
Precepts & Levies	1,241	-	-	-1,241	-	**0**	1,241	**1,241**
Payments to Housing Capital Receipts Pool	22	-	-	-22	-	**0**	22	**22**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	**0**	62,364	**62,364**
Total expenditure	**416,908**	**0**	**24,137**	**9,895**	**-5,878**	**445,061**	**87,858**	**532,919**
Surplus or deficit on the provision of services	**1,870**	**0**	**24,137**	**122,048**	**0**	**148,055**	**-77,301**	**70,755**

29. Trading Operations

The Council has a number of trading operations providing services to other public services bodies under specific service legislation. Details of these and their financial performance for the year are set out in the table below

The Council operated a Commercial Service Department where the service manager was required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

2009/10 Income £000	2009/10 Expenditure £000	2009/10 Surplus/ Deficit £000		2010/11 Income £000	2010/11 Expenditure £000	2010/11 Surplus/ Deficit £000
-37,793	34,953	-2,840	Trading Operations (CSD) less	-42,113	40,937	-1,176
27,000	-24,821	2,179	Amounts Internal Recharges to Net Cost of Services in CIES	34,910	-33,936	975
-10,793	**10,132**	**-661**	**Surplus or deficit on trading undertakings**	**-7,203**	**7,002**	**-201**
-272	253	-19	Market Trading	-236	281	45
-128	166	38	Centre for Career & Professional Development	-	-	-
-196	261	65	Early Birds Nursery	-	-	-
-596	**680**	**84**	**Total Amount recharged to the Public within Net Cost of Services in CIES**	**-236**	**281**	**45**
-38,389	**35,633**	**-2,756**	**Total Trading Surplus/Deficit**	**-42,349**	**41,219**	**-1,131**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. Market Trading, Centre for Career & Professional Development, and Early Birds Nursery) and shown with Net Cost of Services. Only the CSD Trading amount of the net surplus on trading operations is included within Other Operating Expenditure (see Note 10).

30. Agency Services

The Council provides a number of services on behalf of other public bodies on an Agency basis. The income and expenditure recognised in the accounts is only those elements relating to the Council, and not income and expenditure relating to third parties. These include Business Rates and Council Tax Collection (shown as a separate note) and the Bedford BID (shown below).

2009/10 Income £000	2009/10 Expenditure £000	2009/10 Net £000		2010/11 Income £000	2010/11 Expenditure £000	2010/11 Net £000
-348	338	-10	**Business Improvement District (BID)**	-415	385	-30

31. Pooled Budgets

There are three joint working arrangements under Section 75 of the National Health Service Act 2006 (formerly under section 31 of the Health Act 1999). A comparative for 2008/2009 has been shown for completeness when Bedfordshire County Council was part of the pool prior to Bedford Borough assuming part of the responsibilities along with Central Bedfordshire Council.

Bedford Joint Equipment Store

This is a pooled fund for the provision of a high quality, seamless, cost effective joint community equipment service to people in Bedfordshire with needs related to short term or chronic disability of physical impairment. The partnership is between the Council, Central Bedfordshire Council and Bedfordshire Primary Care Trust (PCT)

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
264		· Bedford Borough Council	247	
1,282		· Bedfordshire PCT	1,199	
397		· Central Bedfordshire Council	371	
	1,943	Total Funding		**1,817**
	1,943	Less Expenditure		1,817
	-	Net surplus/ (overspend) arising on the pooled budget during the year		**-**

Bedfordshire Mental Health Partnership Agreement

This is a pooled fund for the integrated provision of services to those persons with mental health problems. The partnership is between the Council, Central Bedfordshire Council and South Essex University Partnership Trust (SEPT), who have taken responsibility of Bedfordshire & Luton Mental Health and Social Care Partnership NHS Trust (BLPT).

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
1,908		· Bedford Borough Council	1,930	
5,666		· South Essex University Partnership Trust	3,466	
2,595		· Central Bedfordshire Council *	-	
	10,169	Total Funding		**5,396**
	10,182	Less Expenditure		5,396
	- 13	Net surplus/ (overspend) arising on the pooled budget during the year		**-**

Note: Central Bedfordshire Council now have their own individual arrangement with SEPT.

Learning Disabilities Partnership Agreement

This is a pooled fund for the integrated provision of services to those persons with learning disabilities. The partnership is between the Council, Central Bedfordshire Council and South Essex University Partnership Trust (SEPT), who have taken responsibility of Bedfordshire & Luton Mental Health and Social Care Partnership NHS Trust (BLPT).

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
269		· Bedford Borough Council	369	
214		· South Essex University Partnership Trust	255	
	483	Total Funding		**624**
	483	Less Expenditure		624
	-	Net surplus/ (overspend) arising on the pooled budget during the year		**-**

32. Members' Allowances

The Council paid the following amounts to members of the council during the year.

2009/10 £000		2010/11 £000
628	Allowances	627
-	Expenses	-
628	**Total**	**627**

33. Officers' Remuneration

The table below discloses details of individual remuneration for senior employees of the Authority. Staff whose salary is above £150,000 are named, otherwise they are listed by way of Job Title. Senior employees are defined as designated Head of Paid Service, (Chief Executive), direct reports and statutory chief officers (Section 151 and Monitoring Officer)
The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Benefits in Kind £	Pension Contribution	Total
Chief Executive - Philip Simpkins	**2010/11**	**170,000**	**-**	**-**	**-**	**-**	**32,470**	**202,470**
	2009/10	155,467	-	-	-	4,103	15,575	175,145
Executive Director Childrens Services	**2010/11**	**130,846**	**-**	**-**	**-**	**975**	**24,992**	**156,813**
	2009/10	126,679	-	-	-	-	13,175	139,854
Executive Director Adults Services	**2010/11**	**130,846**	**-**	**-**	**-**	**962**	**24,992**	**156,800**
	2009/10	125,769	-	-	-	-	13,080	138,849
Executive Director of Environment	**2010/11**	**138,722**	**-**	**-**	**-**	**6,147**	**26,496**	**171,365**
	2009/10	110,955	-	-	-	6,097	11,539	128,591
Director of Finance and Corporate Services	**2010/11**	**123,216**	**-**	**-**	**-**	**316**	**23,534**	**147,066**
(s151 Officer)	2009/10	116,186	-	-	-	465	12,083	128,734
Assistant Chief Executive (Governance)	**2010/11**	**85,633**	**-**	**-**	**-**	**1,287**	**16,356**	**103,276**
(Monitoring Officer)	2009/10	82,312	-	-	-	4,630	8,560	95,502
Assistant Chief Executive (HR & OD)	**2010/11**	**86,363**	**-**	**-**	**-**	**1,225**	**16,495**	**104,083**
	2009/10	84,512	-	-	-	-	8,789	93,301
Operational Director- CSD	**2010/11**	**91,587**	**-**	**-**	**-**	**3,442**	**17,493**	**112,522**
(Left 12 April 2011)	2009/10	76,540	-	-	-	6,219	7,960	90,719
Head of Economic Development	**2010/11**	**61,952**	**-**	**-**	**-**	**-**	**11,833**	**73,785**
	2009/10	59,180	-	-	-	-	6,155	65,335
Total in 2010/11		**1,019,165**	**-**	**-**	**-**	**14,354**	**194,661**	**1,228,180**
Total in 2009/10		**937,600**	**-**	**-**	**-**	**21,514**	**96,916**	**1,056,030**

Note:
- The Chief Executive started on 8 June 2009, so the comparative for 2009/2010 does not hold a full year within this position.
- The increase in pensions cost is due to the Actuarial calculation of the current cost of pensions which varies year on year and which increased to 19.1% for 2010/11 (10.4% in 2009/10)

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2009/10 Number of employees		Remuneration band			2010/11 Number of employees	
Council Officers	***Teaching Staff***	**From £'000**		**To £'000**	***Council Officers***	***Teaching Staff***
35	19	50	-	55	20	22
23	9	55	-	60	16	15
7	7	60	-	65	9	9
11	1	65	-	70	10	4
8	2	70	-	75	2	2
2	1	75	-	80	1	1
10	-	80	-	85	3	1
3	-	85	-	90	1	1
5	-	90	-	95	5	-
1	-	95	-	100	2	-
-	-	100	-	105	1	-
-	-	105	-	110	2	-
-	-	110	-	115	1	-
2	-	115	-	120	1	-
1	-	120	-	125	1	-
3	-	125	-	130	-	-
1	-	130	-	135	-	-
1	-	135	-	140	-	-
-	-	140	-	145	1	-
-	-	150	-	155	3	-
1	-	155	-	160	-	-
-	-	165	-	170	1	-
-	-	210	-	215	1	-
1	-	215	-	285	-	-
1	-	285	-	290	-	-
1	-	405	-	410	-	-

Notes:

- The table above includes those employees specifically reported in the previous table
- Bands with no employees in that range are omitted.
- Teaching Staff includes those at Community Schools only
- Remuneration includes redundancy cost, but excludes pension contributions

34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2009/10 £000		**2010/11 £000**
275	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	260
18	Fees payable to external auditors in respect of statutory inspections	
49	Fees payable to external auditors for the certification of grant claims and returns for the year	75
-	Fees payable in respect of other services provided by external auditors during the year	4
342	**Total**	**339**

35. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2003 (as amended) and paragraph 3.4.4.1(12) to include a note demonstrating whether the Dedicated Schools Grant (DSG) has been deployed in accordance with regulations. An illustration is included in Module 3 of the Guidance Notes.]

The accumulated reserves of schools operating under local management arrangements was £7.5 million as at 31 March 2011 (£6.8m as at 31 March 2010).

The Council's expenditure on schools is funded by grant monies, the DSG, provided by the Department of Education and Skills. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Council was able to supplement to the Schools Budget from its own resources by £421k.

Details of the deployment of DSG receivable for are as follows:

Schools Budget Funded By Dedicated Schools Grant (DSG)

2009/10 Central Expenditure £000s	2009/10 Individual Schools Budget £000s	2009/10 Total £000s		2010/11 Central Expenditure £000s	2010/11 Individual Schools Budget £000s	2010/11 Total £000s
9,629	82,661	92,290	Final DSG for Year	10,789	85,414	96,203
			Mid Year DSG Adjustment	30		30
402		402	Brought Forward from Past Year	452		452
			In year Academy transfers	-21	-1,389	-1410
10,031	**82,661**	**92,692**	**Agreed Distribution for year**	**11,250**	**84,025**	**95,275**
-10,000	-82,661	-92,661	Actual expenditure for the year	-10,498	-84,025	-94,523
421		421	Council contribution for the year			
452	**0**	**452**	**(Over)/underspend carried forward to next year**	**752**	**0**	**752**

Notes:

- The Local Authority Contribution of £421k in 2009/10 consists of the payment from Central Bedfordshire Council to compensate for an error in the disaggregation of DSG of £201k plus a contribution by Bedford Borough in support of its Central Expenditure.
- During 2010/11, five schools achieved Academy Status. This means the schools become separate legal entities and receive the DSG directly, thereby reducing the balances passing through the Council's accounts.

36. Grant, Contributions and Taxation

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2009/10 £000		2010/11 £000
	Credited to Taxation and Non Specific Grant Income	
	Revenue	
-72,333	Council Tax	-73,908
-42,914	National Non Domestic Rates	-47,239
-9,905	Revenue Support Grant	-6,860
-8,394	Area Based Grant	-11,527
-1,477	Performance Reward Grant	-
-174	Local Authorities Business Growth Incentive	-
	Capital	
-302	East of England Development Agency	-434
-473	Lottery Fund	-451
-1,010	Department for Transport	-1,794
-372	Section 106	-27
-3,995	Growth Area Funding	-1,991
-1,482	Department for Education- Standards Fund	-6,546
-2,326	David Wilson Homes	-
-3,466	Highways Agency	-
-1,397	Other	-666
-	Section 278	-702
-	Department of Health	-132
-150,020	**Total**	**-152,277**
	Credited to Services	
	Revenue	
-92,025	Dedicated Schools Grant	-95,275
-10,240	Standards Fund	-12,471
-57,843	Housing and Council Tax Benefit Administration	-62,468
-11,425	Learning and Skills Council	-17,356
-24,363	Other Revenue Grants	-21,074
	REFCUS	
-964	Section 106	-201
-1,668	Department for Education- Standards Fund	-7,567
-422	Disabled Facilities Grant	-507
-204	Private Sector Discretionary Grants	-507
-250	Safer Stronger Communities Fund	-
-2,582	Other Grant	-732
-201,986	**Total**	**-218,158**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances of capital grants and contributions receipts in advance are set out in the table below:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		Contributions	
-4,048	-4,416	Section 106	-4,334
-547	-1,153	Section 278	-1,199
-750	-367	Other Contributions	-321
		Grants	
-43	-43	Growth Area Funding	-11,094
-617		Bedford Western Bypass	-4,659
-1,858	-2,623	Devolved Formula Capital grant	-1,698
-1,323	-4,779	Department for Education- Standards Funds	-2,701
-372	-1,998	Other Grants	-2,972
-9,558	**-15,378**	**Total**	**-28,978**

37. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

<u>Central Government</u>

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts not yet recognised as income in the Comprehensive Income and Expenditure Statement are shown in Note 36.

<u>Members</u>

Members of the council have direct control over the council's financial and operating policies. (Members as a group are required to be identified as related parties. The aggregation option for individual transactions has been taken on the basis that the Council has satisfied itself that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence).

The total of members' allowances paid in 2010/11 is shown in Note 32.

During 2010/11 there was just one significant interests declared:

- Councillor Judith Cunningham declared that her Son-in-law is a Director of One Housing Group which received approx £530k from the Council during 2010/11.

<u>Officers</u>

During 2010/11 there were no significant interests declared.

<u>Other Public Bodies</u>

The Council has a pooled budget arrangement with the Health Authority for the provision of social care services. Transactions and balances outstanding are detailed in Note 31.

Pension Fund

Pension Fund details are set out in the Pension Fund section of this document. The Pension Fund has a separate bank account and therefore has no cash deposited with the Council. The Council charged the Fund £1.0m (£0.9m in 2009/10) for expenses incurred in administering the Fund. The Council took over administering the Fund on 1 April 2009.

As at 31 March 2010, the amount due to the Council from the Pension Fund was £0.0m (£0.0m in 2009/10), with £1.6m being owed by the Council to the Pension Fund (£1.9m in 2009/10).

Entities Controlled or Significantly Influenced by the Council

The Council has interests in companies and other entities that have the nature of subsidiaries. There are one company (Bedford Bereavement Care Ltd) and three trust funds (House of Industry, Freemans Common Trust, and Grange Trust). During 2010/11, Bedford Bereavement Care Ltd transferred its operations to the Council and the assets and liabilities and reserves have been incorporated into the Council's statements.

The more significant entries during 2010/11 between the Council and these entities are:

- The Council made a payment of £50k was made to House of Industry for the rent of St Peter's car park.
- The Council received income of £20k from Bedford Bereavement Care Ltd for the rent of the property on Norse Road.

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		2010/11 £000
79,257	**Opening Capital Financing Requirement**	**99,450**
	Capital investment	
37,090	Property, Plant and Equipment	25,706
3,476	Investment Properties	89
219	Intangible Assets	434
165	Capital Long-Term Debtors	310
9,421	Revenue Expenditure Funded from Capital under Statute	12,225
	Sources of finance	
-4,692	Capital receipts	-853
-20,913	Government grants and other contributions (includes REFCUS)	-21,956
	Sums set aside from revenue:	
-28	• Feasibility costs charged to revenue	
-577	• Direct revenue contributions	-1,987
-203	• Voluntary provision for the repayment of debt	
-641	• Statuary repayment of debt (finance leases liabilities)	-1,027
-3,124	• MRP	-3,777
99,450	**Closing Capital Financing Requirement**	**108,614**
	Explanation of movements in year	
13,854	Increase in underlying need to borrowing (supported by government financial assistance)	4,246
5,083	Increase in underlying need to borrowing (unsupported by government financial assistance)	4,404
1,256	Assets acquired under finance leases	514
20,193	**Increase/(decrease) in Capital Financing Requirement**	**9,164**

39. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of vehicles and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2010 £000		31 March 2011 £000
-	Other Land and Buildings	-
2,889	Vehicles, Plant, Furniture and Equipment	2,240
2,889		**2,240**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2010 £000		31 March 2011 £000
	Finance lease liabilities (net present value of minimum lease payments):	
951	• current	738
1,628	• non current	1,324
393	Finance costs payable in future years	218
2,972	Minimum lease payments	**2,280**

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments 31 March 2010 £000	Finance Lease Liabilities 31 March 2010 £000		Minimum Lease Payments 31 March 2011 £000	Finance Lease Liabilities 31 March 2011 £000
1,126	951	Not later than one year	838	738
1,846	1,628	Later than one year and not later than five years	1,442	1,324
0	0	Later than five years	0	0
2,972	**2,579**		**2,280**	**2,062**

The Council does not have any payments that are contingent on events taking place after the lease was entered into.

Operating Leases

The Council has acquired a number of equipment by entering into operating leases, with typical lives of 3 - 5 years.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
794	Not later than one year	693
2,736	Later than one year and not later than five years	2,439
3,586	Later than five years	2,528
7,116	**Total**	**5,660**

The expenditure charged to the relevant Service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2009/10 £000		2010/11 £000
7,116	Minimum lease payments	5,660
-	Contingent rents	-
-	Sublease payments receivable	-
7,116	**Total**	**5,660**

Council as Lessor

Finance Leases

The Council has leased out a property on a finance lease with a remaining term of 112 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The residual value is considered to be immaterial and has therefore been ignored for the purpose of the calculation. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2010 £000		31 March 2011 £000
	Finance lease debtor (net present value of minimum lease payments):	
-	• current	-
287	• non current	287
287	**Gross investment in the lease**	**287**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease 31 March 2010 £000	Minimum Lease Payments 31 March 2010 £000		Gross Investment in the Lease 31 March 2011 £000	Minimum Lease Payments 31 March 2011 £000
23	23	Not later than one year	23	23
92	92	Later than one year and not later than five years	92	92
2,455	2,455	Later than five years	2,432	2,455
2,570	**2,570**		**2,547**	**2,570**

As at the balance sheet date the possibility of circumstances might result in lease payments not being made is considered immaterial and therefore the Council has not set aside an allowance for uncollectible amounts.

The Council does not have any payments that are contingent on events taking place after the lease was entered into.

Operating Leases

The Council leases out property under operating leases for income generation, provision of community based facilities, provision of employment and business development opportunities and provision of specific services on behalf of the Council

The future minimum lease payments receivable under non-cancellable leases in future years are set out in the following table:

31 March 2010 £000		31 March 2011 £000
2,836	Not later than one year	2,582
8,760	Later than one year and not later than five years	7,836
67,115	Later than five years	64,422
78,711		**74,840**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/2012 £9k contingent rents were receivable by the Council (2009/10 £22k).

40. Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £1.17m in relation to the demolition of the former Focus store that is currently being used as a car park in the interim until development takes place in the future. The impairment loss charged to the Cultural, Environmental, Regulatory and Planning line in the Comprehensive Income and Expenditure Statement. Value in use was determined by assessing how much the Council would have to pay to acquire the service potential of the car park that is now being used.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring costs of £1.8m (£2.9m in 2009/10). These have been incurred as part of the Council's drive to reduce operating costs.

42. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £6.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £7.6m and 14.1%.

43. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Bedford Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme 2009/10 £000		Local Government Pension Scheme 2010/11 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
6,222	• current service costs	11,765
1	• past service costs/ (gains)	-47,319
839	• settlements and curtailments	326
	Financing and Investment Income and Expenditure	
21,942	• interest cost	25,459
-11,734	• expected return on scheme assets	-16,749
17,270	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**-26,518**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
118,545	• actuarial (gains) and losses	-66,688
135,815	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**-93,206**
	Movement in Reserves Statement	
-17,270	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	26,518
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,712	• employers' contributions payable to scheme	14,507

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £51.857m.

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Funded liabilities: Local Government Pension Scheme £000 2009/10		Funded liabilities: Local Government Pension Scheme £000 2010/11
319,334	Opening balance at 1 April	500,260
6,222	Current service cost	11,765
21,942	Interest cost	25,459
3,906	Contributions by scheme participants	4,011
161,698	Actuarial (gains) and losses	(66,620)
(13,682)	Benefits paid	(17,513)
1	Past service costs/ (gains)	(47,319)
-	Entity combinations	-
839	Curtailments	326
-	Settlements	-
500,260	**Closing balance at 31 March**	**410,369**

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme £000 2009/10		Local Government Pension Scheme £000 2010/11
192,634	Opening balance at 1 April	253,457
11,734	Expected rate of return	16,749
43,153	Actuarial gains and (losses)	68
15,712	Employer contributions	14,507
3,906	Contributions by scheme participants	4,011
(13,682)	Benefits paid	(17,513)
	Entity combinations	
	Settlements	
253,457	**Closing balance at 31 March**	**271,279**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £19.239m (2009/10: £54.887m).

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities for the Local Government Pension Scheme	-	-	-	(500,261)	(410,370)
Fair value of assets in the Local Government Pension Scheme	-	-	-	253,458	271,280
Surplus/(deficit) in the scheme for the Local Government Pension Scheme	-	-	-	(246,803)	(139,090)
Total	**-**	**-**	**-**	**(246,803)**	**(139,090)**

Amounts have not been included for 2006/07 to 2008/09 because these amounts would reflect the previous District Council amounts and therefore would not provide meaningful comparisons with the 2009/10 and 2010/11 amounts which are based on the Unitary Council.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £410.370m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £139.090m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £13.710m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.7m.

The net liability as at 31 March 2011 (£139.612m) has substantially reduced from 31 March 2010 (£246.803m) principally as a result of:

- positive asset returns and falling long term inflation expectations
- the pension increase change from RPI to CPI. CPI is used rather than RPI as a result of the Emergency Budget announcement in June 2010. This change in the pension increase assumption is regarded as a

change in benefit and has been treated as a past serve credit (this in line with the recommendation by CIPFA (LAAP bulletin 89 refers).

It should be noted that a net liability of £523k was transferred from Bedford Bereavement Care Ltd in 2010/11 (see Note 2)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2009/10		Local Government Pension Scheme 2010/11
	Long-term expected rate of return on assets in the scheme:	
7.80%	Equity investments	7.50%
5.00%	Bonds	4.90%
5.80%	Propery	5.50%
4.80%	Cash	4.60%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.8 years	Men	21.6 years
24.1 years	Women	23.2 years
	Longevity at 65 for future pensioners:	
22.3 years	Men	23.6 years
25.7 years	Women	25.6 years
3.80%	Rate of inflation (CPI)	2.80%
5.30%	Rate of increase in salaries	5.10%
3.80%	Rate of increase in pensions	2.80%
6.60%	Expected Return on Assets	6.30%
5.50%	Rate for discounting scheme liabilities	5.50%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre April 2008 Service	50%
75%	Post April 2008 Service	75%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2010 %		31 March 2011 %
58	Equity investments	54
22	Bonds	23
6	Propery	9
14	Cash	14
100		**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve from 2006/07 to 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Experience gains and losses on assets (expressed as a percentage of plan assets at balance sheet date)	-	-	-	17.02	0.03
Experience gains and losses on liabilities (expressed as a percentage of plan liabilities at balance sheet date)	-	-	-	32.32	-16.23

Amounts have not been included for 2006/07 to 2008/09 because these amounts would reflect the previous District Council amounts and therefore would not provide meaningful comparisons with the 2009/10 and 2010/11 amounts which are based on the Unitary Council.

44. Contingent Liabilities

At 31 March 2011, the Council had the following material contingent liabilities:

- There is a possibility that the Council may be required to pay back a proportion of a grant given by the East of England Development Agency (EEDA) to the former County Council relating to broadband provision. There is a total potential liability of between £100k and £400k of which the Council will pick up a share along with Central Bedfordshire Council.

45. Contingent Assets

At 31 March 2011, the Council had no material contingent assets

46. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Full Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by recognised credit rating agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

- Council investments are with Central Government, other Local Authorities or institutions with a high credit rating
- The Council considers the ratings of each of the three major credit rating agencies (Fitch, Moody's and Standard & Poors) in establishing the criteria that shall apply to its investment decisions; the lowest of the three ratings shall apply
- A+ (Fitch credit rating) or equivalent has been determined by the Council to be the minimum long term credit rating as "high".
- The maximum that may be deposited with any one institution is £12 million for deposit takers and £15 million aggregate with AAA rated money market funds. There is no limit on the level of investment with Central Government.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £70 million cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £11.4m of the £20.6m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 **£000**
Less than three months	14,562
Three to six months	1,801
Six months to one year	1,439
More than one year	2,820
	20,622

No analysis is given for 2009/10 due to the lack of comparability, as the Council became a Unitary Council on 1 April 2009. Further analysis of the Aged Debt is given below.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 15% of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is set out in the following table:

31 March 2010 **£000**		**31 March 2011** **£000**
851	Less than one year	3,782
3	Between one and two years	5,962
5,557	Between two and five years	11,592
1	Between five and ten years	14,000
40,018	Between ten and twenty five years	38,583
44,091	After twenty five years	25,597
90,521		**99,516**

All trade and other payables are due to be paid in less than one year.

Aged Debt Analysis

During the course of 2010/11 the total value of sundry debt invoices issued was £156 million. The outstanding debt brought forward at 1 April 2010 was £19 million giving a total amount due of £175 million collectible. At 31 March 2011 £155 million (88.3%) of the total due was paid leaving an outstanding balance of £20 million. However, £9.2 million of the outstanding balance related to invoices issued in the final 28 days of the financial year and was not yet due at 31 March 2011.

The table below shows the outstanding sundry debt position as at the end of March 2011 in respect of sundry debts owed to the Council. The analysis illustrates that approximately 47% of the total relates to debt owed by CBC:

Sundry Debts	**0-28 days £000's**	**29-56 days £000's**	**57-84 days £000's**	**85 + days £000's**	**TOTAL £000's**
Total debt	9,193	1,613	4,230	5,575	**20,611**
Profile of debt	45%	8%	20%	27%	
CBC Debt	2,892	928	3,798	2,078	**9,696**
CBC profile	30%	10%	39%	21%	
All other debt	6,301	685	431	3,467	**10,914**
Other profile	58%	6%	4%	32%	

The profile of debt for "All other debt" shows that almost £3.5 million (32%) has been outstanding for more than 85 days and as such represents a risk of non-recovery. In particular £1.1 million relates to invoices issued prior to 2009/10 and represents a heightened risk of non-payment.

In addition to Sundry Debts, there are also significant sums owed to the Council in respect of overpayments of Housing Benefits. The table below shows an analysis of outstanding amounts as at 31 March 2011 by the financial year in which the overpayment occurred:

Housing Benefit Overpayments	**2007/08 and prior £000's**	**2008/09 £000's**	**2009/10 £000's**	**2010/11 £000's**	**TOTAL £000's**
Total debt	381	310	485	946	**2,122**
Profile of debt	18%	15%	23%	44%	

Overpayments of Housing Benefit are difficult debts to recover because the person who was overpaid frequently remains of limited means. The Council is proactive in the collection of overpayments but, due to the difficulty in collection, it is considered pragmatic to make a prudent provision for non-payment of this particular category of debt.

A review of the Bad Debt Provision has been undertaken taking into consideration the outstanding sundry debts and benefit overpayments at 31 March 2011. This review took account of the change to the debt profile following two years experience as a unitary authority. In particular, very large value invoices were given individual consideration which revealed that the majority were owed by public bodies and represented a very low risk of default. Consequently, only very minimal provision has been made for that category of debt.

The annual contribution to the Bad Debt Provision was £110,000 in 2010/11 and this has been increased to £250,000 per annum from 2011/2012. The total Bad Debt Provision as at 31 March 2011 is £1,377,000. The review has concluded that an additional balance of £952,000 is considered necessary to bring the existing provision to prudent levels. Part of the additional provision (£352,000) will come from the disaggregation of the former BCC bad debt provision sum as set out in paragraph 5.18 above.

A further review of the annual revenue contribution for bad debt provision will routinely be made as part of the 2012/2013 budget setting.

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 75% of its net borrowings (by reference to the interest payable) in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2009/10 £000		**2010/11 £000**
	Increase in interest payable on variable rate borrowings	2
-626	Increase in interest receivable on variable rate investments	-626
-883	Increase in government grant receivable for financing costs	-926
	Impact on Surplus or Deficit on the Provision of Services	
	Share of overall impact debited to the HRA	
	Decrease in fair value of fixed rate investment assets	
-1,509	**Impact on Other Comprehensive Income and Expenditure**	**-1,550**
	Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

As the Council does not invest in equity shares, there is no significant price risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

8) COLLECTION FUND STATEMENT

These accounts represent the transactions of the Collection Fund, which is a statutory fund under the provisions of the Local Government Finance Acts 1988 and 1992, and covers all Council Tax and National Non-domestic Rates (NNDR). Bedford Borough being the billing authority maintains this account.

Council Tax

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
		Income		
73,888		Council Tax	75,979	
11,214		Council Tax Benefits	11,884	
	85,102			**87,863**
		Expenditure		
		Precepts and Demands		
71,583		Bedford Borough Council	73,827	
7,708		Bedfordshire Police	7,997	
4,477		Bedfordshire and Luton Fire Authority	4,554	
		Other		
1,364		Council Tax Surplus	1,268	
350		Provision for Uncollectable Amounts	1,496	
	85,482			**89,142**
	-380	**Balance for the year**		**-1,279**
	3,243	**Balance at 1 April 2010- Note (i)**		**2,863**
	2,863	**Balance at 31 March 2011**		**1,583**

The following table set out prior adjustments due to the changes in the accounting for NNDR for previous year's balances.

Note (i)- Prior Year Adjustment	
Balance at 31 March 2010	2,760
Prior year adjustment	103
Restated 1 April 2010 balance	**2,863**

National Non Domestic Rates

2009/10 £000		2010/11 £000
	Income	
49,863	Business Rates-	55,215
	Expenditure	
	Demands	
49,624	Contribution to NNDR pool	54,976
239	Cost of Collection	239
0	**Total**	**0**

From 1 April 2009 both the billing authority and Major Preceptors (i.e. the Police and Fire authorities) are required to accrue the income for the year in their own accounts. Since the collection of Council tax is an agency function the cash collected, and any unpaid sums are shared proportionately, and a debtor/creditor position existing between the billing authority and the major preceptors.

A split of the Collection Fund balances share by major preceptor is shown below:

2009/10 £000	Analysis of Collection fund balance by major Preceptors	2010/11 £000
2,359	Bedford Borough Council	1,353
254	Police Authority	147
147	Fire Authority	83
2,760		**1,583**

Similarly the collection of Business Rates is regarded as an agency account for Central government, with only the net cash position being included in the financial statements.

Notes:

(i) Business Rates

Under the arrangements for business rates, the Council collects non-domestic rates for the area based on local rateable values multiplied by a uniform rate (the Multiplier) set by Central Government and applied across the country. Certain reliefs are available and the figure shown as collectable is net of these reliefs.
The total amount less deductions for the cost of collection and bad and doubtful debts is paid to a central pool (NNDR Pool) managed by Central Government. The NNDR Pool distributes to authorities their share based on a standard amount per head of population.

The total non-domestic rateable value at 31 March 2011 was £160.6m (£136.8m at 31 March 2010). The rate in the pound for 2010/2011 is 41.4p (48.5p in 2009/2010) and the small business multiplier is 40.7p in the pound for 2010/2011 (48.1p in 2009/2010).

(ii) Interest Paid and Received

These are sums of money paid to Non-Domestic Ratepayers relating to backdated reductions in Rateable Values after appeals. The monies are recovered from the Department of Communities & Local Government and are included as a debtor within the Collection Fund. In 2010/2011 £85,515 was paid out and will be recovered in 2010/2011 (£354,301 in 2009/2010).

(iii) Council Tax

Council Tax is charged on residential properties, which are classified into one of eight valuation bands based on estimated values at 1 April 1991.
The Band D tax is calculated by dividing the total amount of income required by the Collection Fund to pay County, Borough, Police and Fire precepts for the forthcoming year by the Council tax base. The Council tax base, used in the calculation is based on the number of dwellings in each band on the Valuation list at the relevant date, adjusted for exemptions, discounts and disabled banding changes.

The tax base for 2010/2011 was 55,238.87 Band D equivalent properties, (54,841.11 equivalent for 2009/2010). The tax base calculation for 2010/2011 is shown below:

Band	Band	Adjustments	Dwellings	D	Equivalent
A (Disabled)	0.00	7.75	7.75	5/9	4.31
A	9,137.00	-1,914.25	7,222.75	6/9	4,815.17
B	16,459.00	-2,268.10	14,190.90	7/9	11,037.37
C	16,390.00	-1,737.40	14,652.60	8/9	13,024.14
D	9,354.00	-800.65	8,553.35	9/9	8,553.35
E	7,101.00	-462.45	6,638.55	11/9	8,113.78
F	4,510.00	-247.40	4,262.60	13/9	6,157.09
G	2,651.00	-161.80	2,489.20	15/9	4,148.67
H	211.00	-26.55	184.45	18/9	368.90
Total	**65,813.00**	**-7,610.85**	**58,202.15**		**56,222.77**
		Less allowance for non collection			-983.90
		Council Tax Base 2010/11			**55,238.87**

The average Council Tax for 2009/2010 was £1,563.71 (£1,527.47 in 2009/2010). However, the effect of special item charges and parish precepts results in a variation in the average Band D Tax in all areas of the Borough.

2009/10 £000	Average Band D Property	2010/11 £000
1305.28	Bedford Borough Council	1,336.50
140.56	Bedfordshire Police Authority	144.77
81.63	Bedfordshire and Luton Fire Authority	82.44
1,527.47		**1,563.71**

A breakdown of the income received from Council Tax is set out in the table below.

95,423	Council Tax levied	98,544
384	Amended liability	568
-99	Disabled Relief	-105
-7,628	Discounts	-8,094
-2,978	Property Exemptions	-3,050
85,102		**87,863**
-11,214	Council Tax Benefits	-11,884
73,888	**Total**	**75,979**

(iv) Provision for Uncollectable Amounts

A record of the movement in the provision for uncollectible amounts is set out in the table below.

Council Tax

2009/10 £000	Council Tax Provision for Uncollectable Amounts	2010/11 £000
2473	Balance as at 1 April	2,756
-170	Less write off in year	-453
453	Contributions made	1,496
2,756	Balance as 31 March	**3,800**

National Non Domestic Rates

2009/10 £000	NNDR Provision for Uncollectable Amounts	2010/11 £000
946	Balance as at 1 April	2,249
-117	Less write off in year	-1,358
1420	Contributions made	515
2,249	Balance as 31 March	**1,405**

9) PENSION FUND STATEMENT

Introduction

This section summarises the accounts of the Bedfordshire Pension Fund for the year ending 31 March 2011. In addition, the Pension Fund prepares an Annual Report and Accounts which reports more fully on the Fund's activities and financial position.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations (2008) and subsequent amendments.

Membership of the Fund

The purpose of the Local Government Pension Fund is to cover the current and future pension entitlements of all employees of Bedford Borough, Central Bedfordshire and Luton Borough Councils, other than teaching staff who have their own national pension scheme. A number of other organizations are also admitted to the Pension Fund. A full list of participating bodies as at 31 March 2011 is shown at the end of this section.

As at 31 March 2011, the number of employees (i.e. from Councils within Bedfordshire and the other scheduled and admitted bodies) contributing to the Fund was 17,503, the number of pensioners was 11,764 and the number of deferred pensioners was 18,382.

How the Scheme works

Local Government Pension Funds are required to be funded, being financed by contributions from employees and employers and by earnings from investments. Triennial actuarial valuations undertaken and employers' contributions reviewed to ensure that the Fund's assets are sufficient to meet its funding targets.

The Borough Council is required to enable employees to make additional voluntary contributions to supplement their pension benefits.

Statement of Investment Principles

The Pension Fund has produced a Statement of Investment Principles which sets out the policies adopted and principles guiding the selection of Pension Fund investments. It includes policy on the spread of, and return from, investments, risk and the extent to which ethical and environmental considerations are taken into account and the exercise of voting rights.

A copy of the Statement of Investment Principles is available from Borough Hall or on the Fund's website www.bedspensionfund.org/ and is replicated in the Pension Fund's Annual Report and Accounts.

Investment Management

The balance of the Pension Fund, not immediately required to meet pensions and other benefits, is invested in a selection of fixed interest securities, equities of United Kingdom and overseas companies, property and unit trusts etc. under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and subsequent amendments.

Management of the Fund's investments is undertaken by external investment managers. The managers and the portfolios they hold are shown below, together with the proportion of the Fund's assets that each represents. Custody arrangements are undertaken on behalf of the Fund by The Northern Trust Company.

- Blackrock Advisors – Passive Multi-Asset (£227 million – 18%)
- Blackrock Advisors – Global Tactical Asset Allocation (£68 million – 5%)
- Legal & General – Passive UK Equities (£240 million – 19%)
- Legal & General – Global Equities (£98 million – 7%)
- Aberdeen Asset Management – Active Global Fixed Interest (£86 million – 7%)

- ING Real Estate Investment Management – Indirect Property (£116 million – 9%)
- Credit Suisse Asset Management – Commodities (£61 million – 5%)
- FX Concepts – Currency (£41 million – 3%)
- Lazard Asset Management – Global Equities (£127 million – 10%)
- Trilogy Global Advisors – Global Equities (£54 million – 4%)
- Insight Investment – Absolute Return Bonds (£100 million – 8%)
- Lee Overlay – Currency (£11 million – 1%)

In addition, net current assets of £51 million (4%) are managed by the administering authority.

The investing powers relating to the Pension Fund are more permissive than those available generally to local authorities. For instance pension funds are able to invest in currencies other than sterling or take part in stock lending. Use of these powers exposes fund investments to different risks. The management and mitigation of those risks is described in the Fund's Statement of Investment Principles, the current version of which is published in the Fund's Report and Accounts 2010/11.

Administration of the Fund

Bedford Borough Council is the administering authority for the Bedfordshire Pension Fund. Scheme administration is the responsibility of the Director of Finance and Corporate Services.

A separate detailed report on the Pension Fund is available from the Assistant Director (Finance), Borough Hall, Cauldwell Street, Bedford, MK42 9AP.

PENSION FUND ACCOUNTING POLICIES

Accounting Standards
The accounts of the Pension Fund have been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes (Revised May 2007). The accounts are also compliant with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, based on International Financial Reporting Standards (IFRS).

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits, either in the net assets statement, in the notes to the accounts or in an accompanying actuarial report. The financial statements include a separate actuarial report to meet this requirement.

The transition to IFRS accounting requires the Fund to disclose an opening net assets statement as at 1st April 2009, restated to comply with IFRS. As the Fund has opted to disclose the actuarial present value of promised retirement benefits in a separate actuarial report, the restated net assets statement is unchanged from that previously disclosed in the Fund’s Report and Accounts 2009/10.

In other respects, the accounts summarize the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. They should therefore be read in conjunction with the actuarial reports which take account of such liabilities.

Basis of Preparation
Unless otherwise stated, the accounts have been prepared on the accruals basis.

Benefits
All pensions and lump sums payments have been included on the accruals basis other than some death gratuities. The payment of some death gratuities is dependant upon the receipt of probate or letters of administration. Where death occurs before the end of the year but probate or letters of administration has not been received by the balance sheet date, then no accrual is made. The departure from the accruals basis for these death gratuities does not materially affect the reported figure.

Only benefits paid under local government pension scheme regulations are included in the fund account. For administrative ease, the Fund also pays out compensatory added years benefits on behalf of scheme employers; these are refunded in full by the employer. Both the benefit paid and the subsequent reimbursement are excluded from the fund account. In previous years such benefit payments and reimbursements were included in the fund account, respectively, under benefits paid and contributions receivable. Comparative figures for 2009/10 have been restated accordingly in the fund account within this report to reflect this change in policy.

Refunds of Contributions
Refunds have been included on a cash basis. Accounting for refunds on an accruals basis would not materially alter the reported figure.

Transfer Values
Transfer values to and from other schemes have been included on a cash basis.

Administrative Expenses
The administration of the Fund is undertaken by the Borough Council in its role as administering authority. The Council’s costs of administering the scheme, agreed by the relevant committees of both Council and Pension Fund, are charged to the Fund.

Investment Management Expenses
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the fund has negotiated with the following managers that an element of their fee be performance related.

- Blackrock Advisers – Global Tactical Asset Allocation
- Aberdeen Asset Management – Fixed Interest
- FX Concepts – Currency
- Lee Overlay - Currency

In 2010/11, £0.8 million of fees was performance related.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2010/11, £0.4 million of fees is based on such estimates.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the Borough Council's costs representing time spent by officers on investment management is also charged to the fund.

Investments
Investments are shown in the accounts at market value, determined as follows:

(i) Quoted securities are valued by reference to market bid price at the close of business on 31 March 2011.

(ii) Traded futures are valued by reference to their exchange prices as at 31 March 2011.

(iii) Other unquoted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.

(iv) Unit trust and managed fund investments are valued by reference to the latest bid prices quoted by their respective managers prior to 31 March 2011. If bid prices are unavailable, mid prices or net asset value will be used.

(v) Assets, including investments, denominated in foreign currencies are valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2011. Exchange gains and losses arising from movements in current assets and liabilities are included in the fund account for the year.

Investment assets include cash balances held by the fund managers and debtor and creditor balances in respect of investment activities.

Acquisition Costs of Investments
Where shown, the cost of investments includes direct costs of acquisition.

AVC Investments

The Council has arrangements with its additional voluntary contributions (AVC) providers to enable employees to make AVCs to supplement their pension benefits. AVCs are invested separately from the Fund's main assets and the assets purchased are specifically allocated to provide additional benefits for members making AVCs. The value of AVC assets is not included in the Fund's net asset statement.

Taxation

The Fund is exempt from tax on capital gains and from income tax on interest receipts. VAT is recoverable on all expenditure, and all of the fund's income is outside the scope of VAT.

The Fund is liable to tax at a rate of 20% on small pensions that have been compounded into a lump sum.

The Fund is exempt from US withholding tax.

Where the Fund is subject to other foreign tax, income is shown as the grossed up figure and the tax withheld as an item of expenditure.

FIVE YEAR FINANCIAL SUMMARY

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Net assets at 1 April	**980,356**	**1,079,577**	**1,074,800**	**887,416**	**1,168,330**
Contributions	74,996	77,666	84,512	88,064	92,508
Investment and other income	35,001	33,522	25,972	27,613	25,513
Total income	109,997	111,188	110,484	115,677	118,021
Benefits and other expenses	(57,674)	(64,504)	(70,126)	(76,913)	(82,698)
Change in market value of investments	46,898	(51,461)	(227,742)	242,150	76,032
Increase/(decrease) in value of fund	99,221	(4,777)	(187,384)	280,914	111,355
Net Assets at 31 March	**1,079,577**	**1,074,800**	**887,416**	**1,168,330**	**1,279,685**

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	2009/2010 £000	2010/2011 £000	See Note
Contributions and Benefits			
Contributions	88,064	92,508	1
Transfers in from other pension funds	14,947	12,944	2
Other Income	3	42	
	103,014	105,494	
Benefits	(61,357)	(62,845)	3
Payments to and on account of leavers	(10,936)	(14,303)	4
Other payments	(86)	-	5
Administrative expenses	(1,074)	(1,146)	6
Net additions/(withdrawals) from dealings with members	29,561	27,200	
Returns on Investments			
Investment income	13,016	12,995	7
Profit and losses on disposal of investments and changes in value of investments	242,150	76,032	
Taxes on income	(353)	(468)	
Investment management expenses	(3,460)	(4,404)	8
Net return on investments	251,353	84,155	
Net increase/(decrease) in the fund during the year	280,914	111,355	
Net assets of the fund at 1 April	887,416	1,168,330	
Net assets of the fund at 31 March	**1,168,330**	**1,279,685**	

NET ASSETS STATEMENT

	01-Apr-09 £000	31-Mar-10 £000	31-Mar-11 £000	See Note
Investment Assets				
Fixed interest securities	40,368	21,742	-	9.1
Equities	82,756	116,658	123,437	9.2
Managed and unitised funds	690,371	969,545	1,099,131	9.3
Derivative contracts	137	23	19	9.4
Cash deposits & other assets	46,697	32,240	12,013	9.5
	860,329	1,140,208	1,234,600	
Investment Liabilities				
Derivative contracts	(94)	(93)	(6)	9.6
Other liabilities	(8,178)	(2,265)	(1,068)	9.6
	852,057	**1,137,850**	**1,233,526**	
Long Term Assets	**-**	**-**	4,562	10
Current Assets	36,190	31,259	43,022	11
Current Liabilities	(831)	(779)	(1,425)	12
Net assets of the fund at 31 March	**887,416**	**1,168,330**	**1,279,685**	

The financial statements do not take account of liabilities to pay pensions and other benefits after the year end.

NOTES TO THE ACCOUNTS

Fund account	2009/2010	2010/2011
	£000	**£000**
1 Contributions		
Employees' normal contributions	20,528	20,807
Employees' additional voluntary contributions	702	491
Employers' normal contributions	45,604	46,115
Employers' deficit funding	15,688	21,707
Employers' augmentation contributions	5,542	3,388
	88,064	**92,508**
Administering authority	18,400	17,652
Scheduled bodies	61,289	66,766
Admitted and other bodies	8,375	8,090
	88,064	**92,508**

Employers' augmentation contributions relate to payments for the cost of enhanced benefits and early retirements.

2 Transfers from other schemes		
Group transfers from other schemes	-	-
Individual transfers from other schemes	14,947	12,944
	14,947	**12,944**
3 Benefits		
Pensions	45,701	48,400
Commutations of pensions and lump sum retirement benefits	14,594	13,122
Lump sum death benefits	1,062	1,323
	61,357	**62,845**

Benefits paid are further analysed as:

Administering authority	6,965	6,832
Scheduled bodies	48,975	50,450
Admitted and other bodies	5,417	5,563
	61,357	**62,845**
4 Payments to and on account of leavers		
Refunds of contributions	14	10
State scheme premiums	3	-8
Transfers to other schemes – individuals	10,919	14,301
Transfers to other schemes – group transfers	-	-
	10,936	**14,303**
5 Other payments		
Payment made to scheme employer under S74 of the LGPS Administration regulations (2008)	86	-
	86	**0**

		2009/2010 £000	2010/2011 £000
6	**Administrative expenses**		
	Administering authority	829	868
	System costs & development	108	86
	Actuarial fees	38	62
	Other	61	130
		1,036	**1,146**
7	**Investment income**		
	Interest from fixed interest securities	1,851	328
	Dividends from equities	2,395	2,620
	Income from index linked securities	-	-
	Income from pooled investment vehicles	8,567	9,508
	Interest on cash deposits	203	539
		13,016	12,995
	Irrecoverable with-holding tax	-353	-468
		12,663	**12,527**
8	**Investment management expenses**		
	Administering authority	103	106
	Investment managers' fees	2,776	3,303
	Investment managers' performance related fees	396	807
	Investment advice & other costs	185	188
		3,460	**4,404**

Net Asset Statement		2009/2010 £000	2010/2011 £000
9	**Investments**		
9.1	**Fixed Interest Securities**		
	UK government securities	21,742	-
	Overseas corporate securities	-	-
		21,742	**0**
9.2	**Equities**		
	UK quoted equities	9,991	11,200
	Overseas quoted equities	106,667	112,237
		116,658	**123,437**
9.3	**Managed and Unitised Funds**		
	UK authorised unit trusts	-	-
	UK un-authorised unit trusts	4	4
	UK insurance managed funds	449,786	468,051
	UK property unit trusts	91,255	112,593
	Overseas unit trusts	428,500	518,483
		969,545	**1,099,131**
9.4	**Derivative Contracts**		
	Overseas fixed income futures	23	19
9.5	**Cash Deposits & Other Investment Assets**		
	Cash deposits	31,101	10,253
	Due from the Stock Exchange	326	969
	Investment income outstanding	813	791
		32,240	**12,013**
9.6	**Investment Liabilities**		
	Due to the Stock Exchange	-2,265	-1,068
	Derivative contracts - UK fixed income futures	-93	-6
		-2,358	**-1,074**
	Total	**1,137,850**	**1,233,526**
9.7	**Quoted/Un-quoted Investments**		
	Quoted	281,467	356,603
	Un-quoted	856,383	876,923
		1,137,850	**1,233,526**

	MV at 31/03/10	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in MV	MV at 31/03/11
	£000	£000	£000	£000	£000
Fixed Interest Securities					
UK	21,742	5,200	27,225	283	-
Overseas	-	-	-	-	-
	21,742	5,200	27,225	283	0
Equities					
UK	9,991	2,647	1,700	262	11,200
Overseas	106,667	8,828	8,127	4,869	112,237
	116,658	11,475	9,827	5,131	123,437
Managed Funds	449,786	60,471	74,495	32,289	468,051
Unit Trusts					
Property	91,255	39,952	21,123	2,509	112,593
Other	428,504	213,237	159,124	35,870	518,487
	519,759	253,189	180,247	38,379	631,080
Derivative contracts	-70	1,949	1,709	157	13
Cash & other	29,975	-	-	-19,030	10,945
Total	1,137,850	332,284	293,503	57,209	1,233,526

Investments at 31 March 2011 had a market value of £1,234 million compared to a cost of £1,057 million (at 31 March 2010 the market value of investments was £1,138 million with a cost of £1,008 million). The increase in the cost of investments of £49 million (2009/10: £27 million) represents the net effect of purchases of £330 million (2009/10: £297 million) and sales of £262 million (2009/10: £261 million) plus movements in cash of £-19 million.

The net gain on the sale of investments was £29 million in 2010/11 (2009/10: £16 million loss). This sum, together with an excess of income over expenditure of £27 million (2009/10: £30 million), generated additional funds available for investment during the year of £56 million (2009/10: £14 million).

Brokers' commissions and other costs of acquisition are included in the cost of investments purchased.

Managed and unitised investments, other than property unit trusts, are predominantly in Blackrock Advisers' Aquila & Ascent Life Funds, Legal & General's Pooled Pension Fund Policy, Insight Investment's Bonds Plus Fund and Aberdeen Asset Management's Sterling Credit Fund. The amount and the percentage of the net assets of the fund, as at 31 March 2011, that these represent are shown below:

- Blackrock Advisers Aquila Life Fund - £227 million (18%)
- Legal & General Pooled Pension Fund Policy - £338 million (27%)
- Insight Investment Management Bonds Plus Fund - £100 million (8%)
- Aberdeen Asset Management Sterling Credit Fund - £86 million (7%)

No other assets comprised more than 5% of the net assets of the fund as at 31 March 2011:

10 Long Term Debtor

In 2005, Magistrates Courts' staff transferred from the Local Government Pension Scheme to the Civil Service Scheme. Whilst transfers of value were effected then, agreement on funding the deficit position was not finalized until February 2011 when it was agreed that the Bedfordshire Pension Fund would receive ten annual payments of £0.608 million, commencing April 2011. The fair value of these payments has been recognized in the Fund's accounts for 2010/11. Those instalments falling due more than one year from the balance sheet date are shown as a long term debtor.

11 Current Assets

	2009/2010 £000	2010/2011 £000
Debtors		
Contributions due from Administering Authority	1,867	1,567
Contributions due from other admitted authorities	6,530	6,002
Civil Service Pension Scheme - see note 10 above	-	608
Other	25	65
	8,422	8,242
Cash	22,837	34,780
Current Assets	**31,259**	**43,022**

The cash balance of £34.8 million is held in the Fund's own bank accounts. Cash held by the fund's managers is included in investment assets.

12 Current Liabilities

Investment managers' fees	323	500
Other professional fees	66	19
AVCs in transit	13	13
Death grants	180	268
Other	79	73
	661	1,344
Provision for bad debts	118	81
Current liabilities	**779**	**1,425**

13 Provision for Bad Debts

The fund's managers reclaim tax withheld from investment income where international treaties allow. Bad debt provision is made for those claims that are over one year old and considered unlikely to be recovered.

14 Self-investment

The regulations governing investment of pension funds require the disclosure of any self-investment by the fund. As at 31 March 2011, there was no self investment by the fund.

15 Related party transactions

Administration and investment management costs include charges by Bedford Borough Council for providing services in its role as administering authority. For 2010/11 these amounted to £1.0 million (2009/10 - £0.9 million).

The Fund pays compensatory added years benefits on behalf of some of its employers. The costs of these are invoiced to the employer in a normal supplier/debtor relationship. In 2010/11, £3.2 million (2009/10 - £3.3 million) was paid and recovered in this way.

A specific declaration has been received from Pension Committee members and relevant senior officers regarding transactions and relationships between themselves, and their related parties, and the Pension Fund. A number of the members also act as councillors or board members of the Fund's scheduled or admitted bodies, who maintain a conventional employer relationship with the Fund. These are listed below but do not include representation of their respective bodies as Committee members:

- Councillor David Lawrence is an elected member of Biggleswade Town Council.

- Councillor Peter Snelling is an elected member of Leighton Linslade Town Council.

- Councillor Doug McMurdo is a member of the Beds & River Ivel Drainage Board and a governor of the Academy Federation of North Bedfordshire Schools. A member of Councillor McMurdo's immediate family is an employee of the Academy Federation of North Bedfordshire Schools.

- Trevor Roff, the Fund Administrator, is an elected member of Bromham Parish Council.

There were no other material transactions between members and officers and the Fund during 2010/11.

The only other material related party transactions during 2010/11 were in respect of contributions paid by the employing bodies into the fund.

16 Contingent Liabilities and Contractual Commitments
There were no material contingent liabilities and/or contractual liabilities as at 31 March 2011.

17 Stock Lending
The Fund did not undertake any stock lending in 2010/11

18 Additional Voluntary Contributions
Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. These contributions are invested separately from the Fund's other assets with the Standard Life Assurance Company & Prudential.

AVCs	**2009/2010 £000**	**2010/2011 £000**
Value at 1 April	3,219	3,509
Income		
Contributions received	263	431
Transfer values received	23	-
Demutualisation entitlement	-	-
	286	431
Expenditure		
Retirements	-375	-632
Transfers values paid	-22	-
Lump sum death benefits	-19	-
Other	-	-3
	-416	-635
Change in market value	420	236
Value at 31 March	**3,509**	**3,541**

In accordance with Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, additional voluntary contributions are excluded from the Fund Account and Net Assets Statement.

19 Post Balance Sheet Events
There are no material post balance sheet events.

ACTUARIAL STATEMENT FOR 2010/11

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), produced as part of the 2010 valuation process. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 21 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a sufficiently high likelihood that the Fund will return to full funding over 21 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,168 million, were sufficient to meet 72% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £449 million.
Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in my valuation report dated 30 March 2011.

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions
A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.
The key financial assumptions adopted for the 2010 valuation were as follows:

Financial assumptions	**31 March 2010**	
	% p.a. Nominal	**% p.a. Real**
Discount rate	6.4%	3.1%
Pay increases *	5.3%	2.0%
Price inflation/Pension increases	3.3%	-

* 1% p.a. for the three years following the valuation, reverting to 5.3% p.a. thereafter. Plus an allowance for promotional pay increases.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a minimum improvement of 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	**Females**
Current Pensioners	21.6 years	23.2 years
Future Pensioners	23.6 years	25.6 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Bedford Borough Council, administering authority to the Fund.

Experience over the year since April 2010

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) remained broadly unchanged over 2010/11.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

G E Sefton

Gemma Sefton
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
7 July 2011

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction
CIPFA's code of practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit.
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, I have provided the information required below.

Assumptions
The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

Balance Sheet

Year ended	**31 March 2010 £m**	**31 March 2011 £m**
Present Value of Promised Retirement Benefits	2,104	1,898

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £862 million in respect of employee members, £366 million in respect of deferred pensioners and £670 million in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial Assumptions
My recommended financial assumptions are summarized below:

Year ended	**31 March 2010 %pa**	**31 March 2011 %pa**
Inflation/Pension Increase Rate	3.8%	2.8%
Salary Increase Rate	5.3%	5.1%
Discount Rate	5.5%	5.5%

*Salary increases are 1% pa nominal for the three year period starting 31 March 2010, 5.1% thereafter

Mortality
As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1% underpin. Based on these assumptions, the average future life expectancies at age 65 are summarized below:

	Males	**Females**
Current Pensioners	21.6 years	23.2 years
Future Pensioners	23.6 years	25.6 years

* Future pensioners are assumed to be currently aged 45

Historic Mortality
Life expectancies for the year ends below are based on PFA92 and PMA92 tables. Further details are shown in the table below.

Year Ended	**Prospective Pensioners**	**Pensioners**
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile.

Commutation
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to the HMRC limits fro pre-April 2008 service and 75% of the maximum tax-free cash 2008 service.

Gemma Sefton FFA
Hymans Robertson LLP
20 April 2011

BODIES PARTICIPATING IN THE BEDFORDSHIRE PENSION FUND

Scheduled Bodies:
Academy Federation of North Bedfordshire Schools
All Saints Academy
Ampthill Town Council
Arlesey Town Council
Barnfield Business & Enterprise Studio Academy
Barnfield College
Barnfield South Academy
Barnfield West Academy
Bedford Academy
Bedford Borough Council
Bedford College
Beds and Luton Combined Fire Authority
Bedfordshire Police Authority
Bedfordshire Probation Service
Bedfordshire and River Ivel Drainage Board
Biggleswade Town Council
Bromham Parish Council
Caddington Parish Coucil
Central Bedfordshire College
Central Bedfordshire Council
Denbigh High academy
Dunstable Town Council
Eastcotts Parish Council
Flitwick Town Council
Harlington Parish Council
Houghton Regis Town Council
Kempston Burials Joint Committee
Kempston Town Council
Lark Rise Academy
Leighton Linslade Town Council
Luton Borough Council
Luton VI Form College
Marston Moretaine Parish Council
Potton Town Council
Sandy Town Council
Stotfold Town Council
Toddington Parish Council
University of Bedfordshire

Admitted and Other Member Bodies:

Active Luton (Leisure Trust)
Amey Infrastructure Services
Aragon Housing Association
Bedfordshire & Luton Mental Health Trust
Bedfordshire Pilgrims Housing Association
Bedford Town Centre Co. Ltd.
Christian Family Care
Civica UK Limited
Cranfield University
Galliford Try Services
Luton Cultural Services Trust
Mitie
One Housing Association
St Christopher’s Fellowship
St Francis Children's Society

10) ANNUAL GOVERNANCE STATEMENT

Scope of responsibility:

Bedford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its function, and which includes arrangements for the management of risk.

The Council has approved and adopted revised corporate governance arrangements which are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the arrangements is on our website at (www.Bedford.gov.uk). This statement explains how the Council has complied with the arrangements and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

Purpose of the governance framework:

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives of the Council, and our philosophy is about being risk aware not risk averse. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The Governance Framework

This is set out in detail on **Appendix A** to this statement and includes any amendments, revisions or updates undertaken during the past financial year relating to the following key aspects of the Framework:

- How the Council ensures that it meets legal obligations (see Appendix A - Section (1))
- How the Council exercises strategic leadership by developing and clearly communicating the Council's purpose, vision and intended outcomes for citizens and service users (see Appendix A - Section (2))
- How the Council aims to ensure users receive high quality service whether directly or in partnership or by commissioning (see Appendix A - Section (3))
- How the Council aims to make best use of resources including targeting excellent value for money for local taxpayers and service users (see Appendix A - Section (4))
- How Members and officers work together to achieve a common purpose with clearly defined functions and roles (see Appendix A - Section (5))
- How the Council ensures its relationships with partners and the public are clear so that each know what to expect of the other (see Appendix A - Section (6))
- How the Council promotes values and demonstrates the values of good governance through upholding high standards of behaviour (See Appendix A - Section (7))
- How the Council takes informed and transparent decisions which are subject to effective scrutiny (see Appendix A - Section (8))
- How the Council manages strategic and operational risk (See Appendix A - Section (9))
- How the Council arranges for effective internal control mechanisms to assist in managing risk (See Appendix A - Section (10))
- How the Council develops the capacity and capability of Members and officers to be effective (see Appendix A - Section 11))
- How the Council engages with local people and other stakeholders to ensure robust accountability (see Appendix A - Section (12)).

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. The annual review is informed by the work of senior officers responsible for the development and maintenance of governance arrangements (Corporate Governance Working Group), the annual internal audit report and by assessments made by external audit and other review agencies and inspectorates. The process of maintaining and reviewing the effectiveness of the governance framework is effected by:

- The Council - being committed to governance arrangements through the operation of a regularly reviewed constitution including roles and responsibilities critical to governance.
- The Executive - through the Mayor taking responsibility for the annual review of governance arrangements and acting on Audit Committee recommendations.
- The Audit Committee - assessing the adequacy of governance arrangements and advising the Mayor accordingly as well as dealing with governance related issues during the year.
- The Overview and Scrutiny Committees - providing effective “checks and balances” within the Council to aid the governance process.
- The Standards Committee - ensuring an overview of the conduct of Members and that codes of conduct are regularly reviewed.
- The Chief Executive - arranging for an annual review of the adequacy of internal control arrangements in the Council as part of the Governance review
- Director of Finance and Corporate Services - ensuring that key internal financial control mechanisms are in place and putting into effect CIPFA guidance on the role and responsibilities of the Chief Finance Officer
- Internal Audit - test checking the effective operation of internal control mechanisms and financial systems.
- Corporate Governance Working Group - reviewing the governance arrangements in detail and proposing amendments where needed.

Significant Governance Issues

The review for financial year 2010/11 has been completed and, whilst various references in **Appendix A** relate to material actions taken in this financial year, the review has highlighted the scope for further actions to improve the effectiveness of governance arrangements. The Action Plan for addressing these needs is set out in **Appendix B** to this statement (This Appendix also summaries action taken against the 2009/10 Governance Action Plan).

We propose over the coming year to take steps to address the matters set out in Appendix B to this statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

……………………................... **……………………………….................**

ELECTED MAYOR **CHIEF EXECTIVE**

Appendix A

BEDFORD BOROUGH COUNCIL
GOVERANCE FRAMEWORK 2010/11

1. HOW THE COUNCIL MEETS LEGAL OBLIGATIONS:

The first duty of any local authority is to ensure that the legal obligations placed on it by Parliament are adhered to. The Council achieves this by way of the following measures.

1.1 Council Constitution

(a) The Council has approved a Constitution in accordance with Section 37 of the Local Government Act 2000. This complies with the requirements of the Local Government Act 2000 (Constitutions) (England) Direction 2000 and includes the following:

(i) Summary and explanation
(ii) Articles of the Constitution
(iii) Responsibilities for functions
(iv) Full Council Procedure Rules
(v) Access to Information Procedure Rules
(vi) Executive Procedure Rules
(vii) Scrutiny and Policy Review and Development Committee Procedure Rules
(viii) Regulatory Committee Procedure Rules
(ix) Standards Committee Procedure Rules
(x) Officer Employment Procedure Rules
(xi) Contract Procedure Rules
(xii) Financial Procedure Rules
(xiii) Budget and Policy Framework Procedure Rules
(xiv) Schemes of Delegations to Officers
(xv) Joint Arrangements
(xvi) Standards of Conduct
(xvii) Register of Members of the Council
(xviii) Members' Allowances Scheme
(xix) Complaints Procedure
(xx) Management Structure

(b) All Members and officers at Head of Service Level and above have a copy of the Constitution, which is also available on the Council's intranet and website.

(c) The senior officer Governance Working Group maintain an ongoing review of the effective working of the constitution and raised any issues of potential change to the General Purposes Committee (including any issues identified by Members of External Audit). This is always an action point given the pursuit of continued improvement. In addition in 2010/11 some schemes of delegation and some procedure rules were revised and updated.]

(d) New Members have a comprehensive series of induction courses which include training on the operation of the Constitution and Codes of Conduct. All Members also receive training on the requirements of the law relating to the specific responsibilities they are carrying out (ie before taking decisions, on, for example, the Licensing and Planning Committees).

1.2 Internal Management Arrangements

(a) The Council's weekly senior officer management team meetings agenda includes a standing item entitled "Legal Items". The Council's Monitoring Officer is a member of the management team and attends each meeting. Any new legislative developments/legal clarification on current issues can be raised at these meetings and the legal and other implications of draft reports for Members can be considered before the reports are issued.

(b) Whilst it is recognised that the financial pressures and future prospects for service delivery will be challenging, the Council's management and organisational structure will continue to ensure that all

statutory obligations are covered. Respective service groupings include qualified professional officers who are employed to meet relevant statutory service or function requirements. Job descriptions for all post holders make responsibilities clear as does the person specification and selection criteria used for the recruitment process. The Council's recruitment and selection procedure ensures that the Council employs officers able to carry out the duties required of them in their new posts.

(c) Having met the necessary recruitment selection criteria and therefore, having the ability to carry out their posts' functions, new staff receive basic induction training and, where appropriate, additional training on relevant statutory requirements before they fully undertake their new duties (e.g. benefits assessment staff are trained on the legislative requirements for that service).

(d) The Monitoring Officer circulates periodic updates of information of any changes/updates in the law to any Council officers/service areas affected relating to new legislation, case law or legal articles.

(e) Where relevant, training is provided to staff to ensure they are up to date with changes in legislation or new statutory requirements which impact on their responsibilities. Additionally, under the Council's performance development review scheme, training needs/requirements are reviewed at least annually for each member of staff.

(f) Professional officers also receive up to date information on any changes in the law affecting their profession from their professional associations.

(g) Service Heads/Managers arrange for detailed staff briefings on new legislation/amendments affecting their particular service groups.

1.3 **Ensuring Legal Implications are considered before decisions are made:**

(a) All reports to the Executive collectively, individual portfolio holders, Council and its Committees set out any legal implications relating to the decision(s) that Members are being asked to take.

(b) The Executive/individual Portfolio Holders are also required as part of their scheme of delegation to follow the Executive decision making protocol in reaching decisions. This requires them to allow sufficient time for the Head of Service concerned, in consultation with other senior officer colleagues as appropriate, to assess any legal, policy, risk or resource implications and report back accordingly in writing before any decision is made.

1.4 **Arrangements for dealing with any on compliance:**

(a) The Council has enjoyed an excellent record in terms of compliance with legal obligations. However, where instances of non compliance are identified (eg as a result of customer complaints) procedures are reviewed and action to eliminate the risk of further non compliance.

(b) Apart from the statutory responsibility of the Monitoring Officer (reflected within the Constitution) to deal with any non compliance with the law, there is a delegation to enable the Monitoring Officer to take any action reasonably incidental to the carrying out of his Monitoring Officer functions.

2. HOW THE COUNCIL EXERCISES STRATEGIC LEADERSHIP BY DEVELOPING AND CLEARLY COMMUNICATING THE COUNCIL'S PURPOSE, VISION AND INTENDED OUTCOMES FOR CITIZENS AND SERVICE USERS

2.1 Apart from meeting its legal obligations (see Section (1) above) the Council has strategies and policies in place related to its priorities and vision for the Borough through:

(a) **Sustainable Communities Strategy 2009/2021**

This strategy sets out the vision, ambition and direction for public service delivery in the area over the next decade.

(b) **Corporate Plan 2009 - 2012**

The Council's Corporate Plan sets out how its own actions will help achieve the vision, ambitions and direction outlined in the Sustainable Communities Strategy and how these actions are reflected in key priorities with related performance indicators and targets to help measure how well the Council is doing. The Corporate Plan is in turn supported by detailed Service Plans which complement the Corporate Plan. The Plan also outlines how other policies, strategies etc within the Council are inter-related to meeting its objectives.
In September 2010 the Council Executive reviewed progress against the Plan by considering the performance outturn for 2009/10. It was also resolved to review the Plan following the Mayoral/Council elections in May 2011 (see action plan on **Appendix B**).

(c) **Local Area Agreement** which relates to an agreement between the Council, its partners and central government to target key local economic social or environmental outcomes for the Borough which inter-relate to the Council's Sustainable Communities Strategy. The Partnership Board produced a report on performance against targets in 2010 and outlined targets for 2011-this was considered by the Council Executive in November 2010.

2.2 There is a regular review of the vision and priorities for the area in order that these can inform the development of strategies and plans to deliver defined outcomes. As a consequence other governance arrangements, such as resource allocation, performance review and risk assessment/management, are influenced by these strategies and plans.

2.3 As outlined earlier (in 2.1 above) the Council must work with partners to achieve the goals and objectives of the Sustainable Communities Strategy and Local Area Agreement.
The Council also has other operational partnerships which aid the delivery of services and functions. In order to ensure these partnerships comply with good governance the Council maintains formal governance arrangements for partnerships.

2.4 The Council publishes its annual Statement of Accounts and Governance Statement within prescribed timescales to outline current financial performance/stewardship and the effectiveness of governance arrangements in place.

3. HOW THE COUNCIL AIMS TO ENSURE USERS RECEIVE HIGH QUALITY SERVICE WHETHER DIRECTLY OR IN PARTNERSHIP OR BY COMMISSIONING

3.1 The Council's Corporate Plan and associated Service Plans set out the extent and quality of service to be delivered and how it is to be measured (eg performance indicators/targets/standards) and there is an ongoing and annual review of delivery against these measures as well as identifying opportunities for improvement.

3.2 Critical to this process is the Council's performance management arrangements which are comprehensive and fully documented in a manual which not only aids Members, management and staff but also allows external assessors to test whether or not these arrangements are being carried out.

The arrangements include:

(a) The importance of performance management to the Council in terms of monitoring and challenging achievement in meeting legal obligations and key service priorities as set out in the Sustainable Committees Strategy and related Corporate Plan and Service Plans.

(b) The key roles and responsibilities of the Executive, senior officer management, Members in other roles and front line staff and other officers.

(c) The approach to setting performance indicators including the Government's National Indicators as well as local indicators which relate to the Council's own priorities and also how targets are set to meet performance indicators and achieve higher performance generally.

(d) How monitoring of performance is reported both in terms of regularity and quality to aid decision makers (eg Executive) and also for challenge (eg the role of Policy Review and Development Committees).

(e) How the Council aims to maintain high standards of data quality so that the information used throughout the performance management process can be relied on.

Following Government announcements to reduce the level of performance data which it requires, the Council was in the process of reviewing how it's own performance arrangements would need to be amended at the time of this governance review (see action plan on **Appendix B**).

3.3 As well as the Council's own arrangements to identify and deal with any failure in service delivery (ie performance management) the Council also has a complaints procedure (see 8.4 of this Statement) so that it can deal with any shortcomings identified by users. Additionally, the Council is pro-active in responding to any identification of poor quality of service by external audit or other external review agencies as well as service user feedback arrangements.

4. **HOW THE COUNCIL AIMS TO MAKE BEST USE OF RESOURCES INCLUDING TARGETING EXCELLENT VALUE FOR MONEY FOR LOCAL TAXPAYERS AND SERVICE USERS**

4.1 **Financial Resources**

(a) Major Financial Decisions Framework sets out the key responsibilities of the Council and Executive relating to the management of the Council's financial resources including dates during the municipal year when key decisions relating to the management and allocation of financial resources have to be made.

(b) Medium Term Financial Strategy (MTFS) sets out the level of financial resources forecast to be available over the medium term against capital and revenue spending needs/pressures (including the needs of the Council's Corporate Plan). The MTFS outlines the linkages to other resource management strategies and policies as well as guiding principles for capital and revenue budget preparation and forward financial planning. The MTFS also forecasts the level of efficiency savings targeted for each financial year. The Council's MTFS was reviewed/refreshed in 2010/11 and in March 2011 an updated MTFS for 2011-2017 was approved.

(c) Prudential Financial Framework

(i) The Council is committed to ensure that its use of financial resources meets the tests of affordability, prudence and sustainability and that adequate reserves are maintained. All of these matters are set out in an annual report to the Council by the Director of Finance and Corporate Services before revenue and capital budgets for the forthcoming year are approved. (Section 25 of Local Government Act 2003 report to Council on 2 February 2011 relating to the 2011/2012 budget).

(ii) As part of this framework the Council ensures that its capital investment strategy/capital finance policy keeps within the local government best practice guide issued by CIPFA (Prudential Code for capital finance in local authorities).

(iii) Also in respect of financial borrowings and investments the Council has adopted a treasury management policy which is in line with the local government best practice guide (CIPFA's Treasury Management Code).

(iv) As part of the Council's Financial Procedure Rules, and Major Financial Decisions Framework, there are sound systems in place for budget monitoring and control for all capital, revenue, reserves and provision budgets. The Council reports regularly to Executive on budget monitoring in order that effective corrective action can be taken on any adverse trends.

(v) Contract Procedure Rules and the Procurement Strategy help to ensure financial resources are used to best effect.

(d) Role of the Chief Finance Officer (Director of Finance and Corporate Services)

A critical element in the proper stewardship of the Council's financial arrangements is the role of the statutory officer and best practice guidance by CIPFA has been produced in March 2010 (Statement on the Role of the Chief Finance Officer in Local Government 2010). Reference is made to the duties of the Council's CFO throughout the Governance Statement and it can be fairly stated that the Council's financial management arrangements conform to the CIPFA guidance.
Part of the role of the CFO is to ensure timely, accurate and impartial financial advice is provided to the Council and Executive and other Committees as well as others charged with decision taking (eg senior officers under delegated authority). The Council's decision making protocol ensures that those taking decisions must consider any resource consequences before finalising the decision and the Council's Director of Finance & Corporate Services is responsible for ensuring all financial resource implications are set out before any decision is taken.

4.2 **Human Resources**

The Council has always maintained effective policies and practices relating to the employees it engages to deliver its services and functions and it has a Human Resources Strategy which sets out values and an

action plan to deliver that strategy. The Strategy is intended to maintain the Council's standing as a good employer whilst at the same time seeking to improve efficiency and effectiveness of employees and their future development.

4.3 **Land And Property**

The Council maintains and periodically updates a Corporate Asset Plan which sets out how its land and property assets will be managed, controlled and optimised to meet the Council's legal obligations and service priorities. The Plan is closely aligned to the Council's capital investment strategy in respect of determining future land and property needs/surplus assets which can be disposed of to provide new capital finance.

4.4 **INFORMATION TECHNOLOGY**

The Council has an IT Strategy to guide the best use of this resource in relation to Council services and functions. This strategy was under review at the year end and will need to be renewed and implemented in 2011/2012 (see action plan on **Appendix B**).

4.5 **Value for Money Arrangements**

The Council has a Value for Money Strategy which was reviewed/refreshed in 2010/11 and sets out how the Council will manage its affairs/use it resources to achieve economy, efficiency and effectiveness in the provision of Council services and functions. The strategy is inter-linked to various other resource management strategies (eg the Medium Term Financial Strategy (MTFS) and efficiency targets).

External Audit assessed the Council's arrangements in 2010 against best practice criteria produced by the Audit Commission. The review confirmed that the Council had adequate arrangements in place against each best practice criteria.

5. **HOW MEMBERS AND OFFICERS WORK TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES:**

(a) The Council's constitution sets out:

(i) Key roles and responsibilities of the Elected Mayor and Executive including a scheme of delegation to individual Executive Members (Portfolio Holders) and the legal and constitutional framework in which they make decisions.

(ii) Respective roles and responsibilities of other Council Members (eg scrutiny), Councillors generally and also senior officers of the Council.

(ii) Matters which, having regard to statutory provisions, are the responsibility of various Council Committees as well as a scheme of delegation to officers.

(iv) The responsibilities of the Chief Executive as the head of the paid service and accountable to Council for all aspects of operational management.

(b) The Elected Mayor and Chief Executive have a full understanding and mutual appreciation of each others roles and responsibilities and a shared vision and very regular meetings to enhance corporate management.

(c) The Council has designated the Director of Finance and Corporate Services as the statutory Chief Finance Officer who reports directly to the Chief Executive and is a member of the officer management team with direct access to each as needs dictate. The Chief Finance Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, for maintaining an effective system of internal financial control and stewardship of Council financial resources (see 4.1 (d) earlier).

(d) The Council has designated the Assistant Chief Executive (Governance) as the Council's statutory Monitoring Officer who reports direct to the Chief Executive and is a member of the senior officer management team. The Monitoring Officer is responsible to Council for ensuring that agreed

procedures in the Constitution are followed and that all applicable statutes and regulations are complied with (see Section (1) earlier).

(e) A Member/Officer Protocol is included within the Council's constitution and this Protocol sets out the roles and responsibilities of Members and Officers and how these should be observed in the day to day operations of the Council.

(f) The Council has appropriate mechanisms governing the terms and conditions for remuneration of Members and officers viz:

(i) Members Allowance Scheme for Members which is reviewed annually by an Independent Remuneration Panel which reports its findings to Full Council.

(ii) Employment contracts for all staff which set out their conditions of service and remuneration which is subject to review under the Council's job evaluation scheme.

6. **HOW THE COUNCIL ENSURES ITS RELATIONSHIP WITH PARTNERS AND THE PUBLIC ARE CLEAR SO THAT EACH KNOW WHAT TO EXPECT OF THE OTHER**

6.1 As outlined in 2.3 (above) the Council has governance arrangements in place to deal with partnerships and partnership working.

6.2 A key area of relationship relates to how the Council determines its key aims and objectives and in this regard the Council is committed to wide consultation on major decisions which affect all stakeholders. In this respect the Council approved a Consultations Strategy in 2010/11 which sets out how the Council will implement the consultations process and how it will provide feedback to consultees on outcomes and reasons why the Council has decided on a chosen option. Examples of major consultations undertaken in 2010/11 include:

- Town Centre Regeneration proposals/options;
- Planning-Allocations and designations for development in the Borough.

6.3 Another key area of relationship is how the Council reports to the public/stakeholders on the outcomes of its work each year so that both financial and service delivery performance can be assessed and that assurance can be given that the Council is managing its affairs in accordance with best practice. In this respect the key reports published annually include:

- The Statement of Accounts
- The Governance Statement
- Performance against Corporate Plan.

6.4 Also through its Complaints Procedure and Customer feedback arrangements the Council sets out what the public can expect from these mechanisms.

7. **HOW THE COUNCIL PROMOTES VALUES FOR THE AUTHORITY AND DEMONSTRATES THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR:**

7.1 The Council is committed to operating in a spirit of openness, mutual respect and support. The Council's constitution and codes of conduct for Members and officers provide the framework necessary to ensure:

- That Members and officers conduct the Council's business without prejudice, bias or conflicts of interest;
- Public confidence in how the Council conducts it's affairs;
- Shared values are developed and maintained within the Council in the pursuance of the Council's aims and objectives and for effective decision making;
- That the behaviour of both Members and officers demonstrates the highest ethical standards expected from those charged with governance and in respect of all Council dealings.

7.2 These Council standing orders and codes of conduct are made clear to all Members and the Council as being a requirement of their service to the Council and its community.

7.3 The Council has customer care arrangements setting out the standards of behaviour the Council expects its employees to adhere to in dealing with customers (eg service users in the area). This policy was under review at year end with the aim of producing a revised corporate customer care charter (see action plan on **Appendix B**).

7.4 The Council's Standards Committee is currently charged with ensuring the promotion and maintenance of high standards of conduct by Members and with providing guidance to Members to assist them to observe the Code of Conduct.

In 2010 the Government announced a fundamental change to arrangements including the imminent abolition of the Standards Board and also the requirement for Councils to have a Standards Committee. There is also the abolition of penalties relating to Councillor misbehaviour in all but the most serious offences. Consequently the Council will need, in 2011, to decide what local arrangements will be adopted as part of its constitution (see action plan on **Appendix B**).

7.5 The Council also has long established guidance for Officers on the standards of conduct expected of them. These also form part of the constitution and are periodically re-issued to all employees and issued to all new employees as part of their "starter" pack.

7.6 The Council's Financial Procedure Rules and Contract Procedure Rules have been developed in line with achieving appropriate ethical standards.

8. HOW THE COUNCIL TAKES INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY:

8.1 The Council has four Committees which, with the support of two full time officers, together undertake the overview and scrutiny function for the Council. The Scrutiny Committee's primary responsibility is to hold the Executive to account for decisions or actions (either by the Mayor, in Committee or by individual Portfolio Holders) in discharging their functions including "call in" procedures for certain decisions before they are enacted.

The Policy Review and Development Committees undertake in depth reviews of selected Council policies and strategies, monitoring of service performance/targets and best value reviews (as part of the Council's value for money strategy).

8.2 The Council's decision making arrangements are robust, effective and transparent. They include:

- The requirement that any decision by Members may only be taken following the receipt of an officer report which must outline the legal, financial/other resource, risk and policy implications of the proposals to the Council (as well as an evaluation of possible alternative options wherever possible) before decisions can be taken (this also applies to the decision making protocol for Executive/Portfolio Holders).
- All decisions are properly documented and recorded together with supporting data (eg background papers/report to members).
- That in respect of legal and financial implications, the relevant professional advice has been included in the officer report being considered by Members.
- A comprehensive scheme of delegation for decision making is provided for relevant senior officers and this was reviewed/updated in 2010/11 with the revised scheme taking effect on 1 April 2011.
- The requirement that Members and officers comply with Codes of Conduct ensuring that no conflicts of interest can affect the decision making process.

8.3 The terms of reference for the Council's Audit Committee help to ensure the Council maintains effective checks and balances as the Committee:

- Reviews governance and internal control arrangements (including an annual report of the Finance Portfolio Holder and Director of Finance and Corporate Services on the adequacy of financial administration in the Council);
- Receives, considers and approves the annual statement of accounts and governance statement and action plan;
- Receives and considers all reports from external audit on behalf of the Council and agrees any action plans to deal with issues identified by external audit;

- o Receives and approves the internal audit plan drafted by the Head of Internal Audit and considers progress against the plan during the year;
- o Receives and considers periodic and annual reports relating to the outcome of internal audit work.

8.4 The Council has a transparent complaints procedure which is included in the Council's constitution and is available to the public on request and is on the Council's website. Any complainant not satisfied with the initial response can go to stage 2 (review by the relevant Head of Service), or if still not satisfied go to stage 3 (independent review) and if still not satisfied are advised how to complain to the Local Government Ombudsman. Where a complaint is upheld, the complainant receives an apology from the Council and steps are taken to ensure any failure in service delivery/dealing with customers is not repeated.

As this procedure has been in place since 2005 it will be necessary to review it for effectiveness in 2011 (see action plan on **Appendix B**).

8.5 Effective risk management procedures are essential to good governance and internal control and the Council has reviewed these arrangements (see Section 9 of this Statement).

8.6 The Council has "whistle blowing" arrangements in place through its Confidential Reporting Code. This provides a framework within which employees, contractors working for the Council, suppliers and service providers are encouraged and enabled to raise concerns with the Council.

8.7 In addition to ensuring it meets legal obligations (see Section 1 of this Statement) the Council also has arrangements to ensure that in dealing with all Council business the general requirements of the law are adhered to and taken into account. In particular:

- o Relevant officers ensuring the limits of lawful activity (ie the "ultra vires" doctrine) are made known to Members and officers.
- o Relevant officers ensuring that specific legislative requirements are followed and that in any Council decision or action regard is had to proportionality, rationality, legality and natural justice in establishing procedures or taking decisions.

9. **SYSTEMS AND PROCESSES IN PLACE RELATING TO RISK MANAGEMENT**

9.1 The Council has had a risk management strategy in place since 2003 in order to meet legal obligations (Regulation 4 of the Accounts and Audit Regulations 2003) and also best practice governance guidelines for local authorities. The Strategy assists Council officers and Members in how to identify risk, assess them in terms of likelihood and severity, consider options for action to mitigate/reduce risks considered needing action and for regularly reviewing and reporting on this risk management work. The Strategy also sets out key responsibilities in respect of risk management relating to:

- The Council's Executive (including the appointment of an Executive Portfolio Holder specifically responsible for risk management overview)
- The Council's Management Team
- The Director of Finance and Corporate Services (as lead officer)
- Assistant Directors and Heads of Service
- Corporate Risk Officer Group (newly created)
- The Insurance and Risk Manager
- All Council staff.

The Risk Management Strategy was reviewed and refreshed in 2010/11. An officer Corporate Risk Management Working Group assists in the review of the Council's Corporate Risk Register and to help in promoting good risk management practice throughout the Council.

9.2 The following key risk management actions are undertaken by the Council:

(a) The Council's Executive consider an annual report by the Senior Officer Management Team <u>on strategic and corporate risks</u> facing the Council and measures in place to mitigate these risks (The Executive considered strategic and Corporate risks identified/evaluated on 10 November 2010.)

(b) The <u>Executive decision making protocol</u> includes the requirement that risk implications are taken into account before any decision is made (including those relating to partnerships and with partners).

(c) Each Executive Portfolio Holder is responsible for considering the <u>risks relating to the delivery of annually updated Service Plans</u> (part of the Corporate Planning process) and identifying action to mitigate such risks before these plans are finalised/approved.

(d) The Council's <u>resource allocation process</u> includes the identification of risks to be taken into account before:

- Budgets are approved relating to capital and revenue needs (including insurance)
- The level of reserves is agreed
- The medium term financial strategy is agreed
- Decisions are taken on capital investment schemes.

(e) The Council's Senior Management Team is responsible for ensuring <u>effective health and safety measures</u> are in place in each Council Department (and regularly reviewed) in order to reduce such risks on the Council and its workforce.

(f) The Executive have adopted a <u>Corporate Resilience Plan</u> to deal with <u>local emergencies</u> and <u>business continuity</u> for Council services in the event of incidents which disrupt such services (this was last approved in March 2010]

Plans to have impact analysis for the purposes of business continuity risks for all Council service areas was still in progress at year end and will need to be finalised and arrangements tested in 2011 (see action plan on <u>**Appendix B**</u>).

(g) The Council maintains an Insurance and Risk Management Financial Reserve (in addition to an insurance provision) in the event that unexpected expenditure arises in order to mitigate risks.

(h) A specialist Risk Management Database is now utilised to facilitate the recording, reporting, and management of strategic and corporate risks and this was being extended to operational risks

during 2010/11 although this has still to be completed and procedures embedded in the Council (see action plan on **Appendix B**).

9.3 The Corporate Risk Register sets out all strategic risks identified/assessed by way of risk value and is regularly reviewed and updated

10. HOW THE COUNCIL EFFECTS ADEQUATE INTERNAL CONTROL MECHANISMS TO ASSIST IN MANAGING RISK

Apart from the Council's specific risk management arrangements (detailed in Section 9 above) the following measures are in place to ensure the adequacy of internal control in the Council.

10.1 Rules and Regulations

(a) Adherence to the roles and responsibilities of Council, Executive, Regulatory and Scrutiny and Overview Committees as set out in the Constitution is a key internal control which helps to provide effective "checks and balances" at Member level on the operations of the Council. Additionally, the following control measures are in place:

(i) Decision Making Protocol

Before the Executive, Committee of the Executive, Elected Mayor or Portfolio Holder makes a decision on any matter they must allow the relevant Head of Service time to prepare a report on any legal, policy, risk and resource implications. These implications must be considered/taken into account before any decision is made.

(ii) Call in Procedure

Before any Executive decision can be implemented, there is a period of time which allows Members to "call in" the decisions for consideration by the Scrutiny Committee based on the concerns set out by the relevant number of Members. This procedure is available for all decisions apart from those where the Monitoring Officer and/or Chief Finance Officer certify that there are legal or financial reasons why the decision cannot be delayed.

(iii) Role of the Audit Committee – see 8.3 of this Statement.

(b) Council Financial Procedure Rules are part of the Council's approved Constitution and provide the regulatory framework for financial management and administration within the Council. They are issued to all Members and all staff who have resource management responsibilities (eg budget holders) and these staff receive detailed guidance and supplementary rules on key aspects issued periodically by the Director of Finance and Corporate Services. The Procedure Rules were reviewed and updated in March 2011.

(c) Council Contract Procedure Rules are also part of the Council's approved Constitution and provide a regulatory framework to cover all contracts entered into by the Council for procurement of goods, works or services (excluding the engagement of staff and Counsel). They are issued to all Members and all staff who have responsibility for procurement and these staff receive detailed guidance. The Procedure Rules were reviewed and updated in March 2011.

(d) The Council's Procurement strategy helps to ensure the Council receives best value from procurement as well as meeting probity requirements. The Strategy is periodically reviewed against best practice.

(e) Role of Chief Finance Officer (Director of Finance and Corporate Services) is critical to ensuring internal control (see Section 4.1(d) and 5(c) of this Statement and other references throughout the Statement).

(f) Role of the Monitoring Officer (Assistant Chief Executive (Governance) is also critical to ensuring sound internal control (see Section 5(d) of this Statement and other references throughout the Statement).

(g) Codes of Conduct are in place for Members and Officers and there is a Register of Interests.

(h) Council Chief Officers are responsible (under Financial Procedure Rules) for:

(i) Establishing sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

(ii) Ensuring that established controls are being adhered to and reviewing existing controls in the light of changes affecting the Council and to ensure they remain necessary and cost/risk effective.

(iii) Ensuring all staff under their service/function areas have a clear understanding of the controls to be followed and the consequences of any lack of control.

(iv) Ensuring all staff under their service/function areas are aware of their responsibilities under the Freedom of Information Act, Human Rights Act and the Council's computer user security policy.

Also the Council's Senior Management Team have weekly corporate management meetings to provide ongoing effect to internal control within the Council in terms of its day to day operations and related financial, legal and personnel issues.

10.2 **Resource Management Arrangements**

These have been set out in detail under Section (4) of this Statement and these arrangements are critical to ensuring effective internal control within the Council. Related to these matters are the main financial systems covering accounting, treasury management, exchequer (including debtors, creditors and payroll), local taxation and benefits which are subject to detailed control arrangements approved by the Director of Finance and Corporate Services (responsible Chief Finance Officer) and test checked/reviewed annually by Internal Audit. An annual report on the position is included in the Statement of Accounts.

10.3 **Performance Management Arrangements**

Part of the internal control system is to ensure the Council is meeting its Corporate and Service targets (see point 3.2 earlier in the Statement).

10.4 **Internal Audit Arrangements**

In accordance with the Accounts and Audit (Amendment) Regulations 2006 the Council is required to have internal audit arrangements for auditing the Council's accounting records and systems of internal control. The Council's Financial Procedure Rules set out the terms of reference for Internal Audit to meet this statutory requirement and a review of the effectiveness of internal audit is undertaken each year.

Following on from the independent review by CIPFA in 2009/10, External Audit also assessed the adequacy of the Internal Audit unit in 2010/11 and to what extent it could place reliance on the work of internal audit to satisfy some of their statutory duties (thus potentially saving external audit time and thus reduce costs). A number of measures were identified for improvement which were accepted by the Council and actions put in hand to address these issues (action plan will need to ensure these actions have been implemented – see **Appendix B**).

10.5 **Other Measures to Effect Internal Control**

(a) Anti Fraud Strategy

This relates to the Council's arrangement to deter fraud and corruption and there are inter-related arrangements in respect of a Benefit Anti Fraud Strategy, Prosecution and Sanction Policy and Code of Practice to ensure the Council's arrangements are meeting the National Fraud Initiative co-ordinated by the Audit Commission.

In March 2011 the Audit Committee approved the Council's policy for deterring money laundering.

(b) Confidential Reporting Code

This relates to the Council's "whistle blowing" arrangements (detailed at point 8.6 above) which has been issued to all staff.

(c) Computer User Security Policy

Information technology is a resource critical to the delivery of Council services and functions. It is necessary to ensure that the large investment made by the Council into computer hardware and software is properly controlled and to this end the Council has a computer users security policy guiding all users on necessary controls. This policy was being revised/updated at year end (see action plan on **Appendix B**).

(d) Council Complaints Procedure

See point 8.4 earlier in this Statement.

11. HOW THE COUNCIL DEVELOPS THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

11.1 The Council provides a structured induction programme for new members designed to introduce them to the Council and being a Councillor. This is normally reviewed annually to take into account feedback received from those Members who have undertaken it most recently to ensure that it continues to be relevant and appropriate to the needs of new Members. On an ongoing basis, the Council provides regular training and development activities for Members during the year to meet a variety of personal and professional needs, as well as the Council's corporate requirements. This includes ensuring Members have been trained on the roles and responsibilities required of them, be it on Executive, Scrutiny and Overview, Audit Committee or other committees of the Council.

An action plan for Member training/development was drawn up and implemented in 2010/11.

11.2 All Officers are required to undertake mandatory induction training within the first three months of their employment with the Council. Thereafter, Service Managers are responsible for ensuring that as part of their operational induction, the training needs are further assessed annually as part of the Council's performance appraisal process. The Council's constitution and management structure ensure that the statutory officers (eg Chief Finance Officer/Monitoring officer) are key members of the top management team and that their job descriptions reflect their statutory responsibilities.

11.3 Council also ensures that these statutory officers have the skills, resources and support necessary to perform effectively in their roles.

11.4 Under the Council's performance management arrangements (see Section 4 of this Statement) the officer performance development review scheme is actively used to identify training and development needs annually. Also the Council pursues opportunities for succession planning in officer development.

The Council's recruitment policy seeks applicants from all sections of the Community and an assessment is made on the extent to which the required criteria for each job is met.

12. HOW THE COUNCIL ENGAGES WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST ACCOUNTABILITY

12.1 As outlined under Section (2) of this Statement, the Council has adopted a Consultations Strategy and also has a revised Communications strategy.

12.2 The Council follows the law and best practice in its scrutiny and overview functions and actively seeks involvement of stakeholders in any scrutiny review or policy overview being undertaken.

The terms of reference of the Council's Scrutiny Committee requires that an annual report is considered by the Council on the work of the Committee in each financial year.

12.3 The Council's annual reporting arrangements help to meet the requirement of robust public accountability through the publication of:

(a) The Annual Statement of Accounts;

(b) The Annual Governance Statement;

(c) Performance outturn information.

12.4 The Council is committed to equality in all of its dealings and ensures that all Council business is open to public scrutiny unless there is a need for confidentiality. In this regard all Council meetings and Council Committee meetings are held in public (apart from the limited number of issues where it is in the interest of Council taxpayers that the matter is considered in a confidential part of the meeting).

12.5 Engaging with all sections of the community is a Council commitment in the Sustainable Communities Strategy (Section 6 “An Inclusive Borough”) and to seek continual improvement in this respect.

12.6 As demonstrated under point 6.2 of this Strategy the Council engages in meaningful consultation with the public and all local stakeholders before reaching major decisions impacting on the local community.

12.7 The Council’s own newspaper “Borough News” is issued free of charge to households in the Borough and this publication outlines various issues the Council is involved in and which may affect/interest local people.

12.8 As part of the Council’s Human Resources Strategy, there is a commitment to engage with all employees in order to seek new ideas to help improve services and workforce development.

12.9 The Council has a “customer feedback procedure” which sets out how compliments, comments and complaints made by service users, are to be dealt with (for complaints see Section 8.4 of this Statement).

Appendix B

GOVERNANCE REVIEW ACTION PLANS

1. 2009/10 REVIEW ACTION PLAN PROGRESS

1.1 Review of Council constitution – ongoing.

1.2 Formalise need for annual assurance statement on internal control – outstanding.

1.3 Implement External Audit recommendations on budget monitoring – completed.

1.4 Re-assess performance management arrangements – outstanding.

1.5 Finalise Member Development Needs programme – completed.

1.6 Review Corporate Risk Register to ensure fit for purpose – completed (but see action plan for service risks).

1.7 Publish a report on Corporate Plan progress – completed.

1.8 Publish a report on Sustainable Community Strategy and Local Area Agreement progress – partly completed as report produced on Local Area agreement progress.

1.9 Review and update the Corporate Resilience plan (including business continuity arrangements) – partly completed but business continuity arrangements still outstanding (see action plan).

1.10 Implement approved changes to Internal Audit planning and operation – completed re CIPFA issues but further External Audit recommendations in 2010/11 (see action plan).

1.11 Produce policy on consultations – completed.

1.12 Review and revise the Council's Information Technology strategy – in hand but not completed (see action plan).

1.13 Further Emphasise necessity that key governance aspects are engrained in the working and operation of the Council – still some work to do.

2. 2010/11 REVIEW ACTION PLAN

	ACTION	TIMESCALE	LEAD OFFICERS(S)
2.1	Maintain review of Council constitution.	31/03/2012	ACE (GOV)
2.2	Publish a report on progress against Sustainable Communities Strategy	30/09/2011	CEX
2.3	Review Corporate Plan	30/09/2011	CEX
2.4	Re-assess performance management arrangements following Government revised needs	30/09/2011	CEX
2.5	Finalise revised Information Technology Strategy	30/09/11	DFCS
2.6	Determine local arrangements governing standards for Members following changes made by Government.	30/09/2011	ACE(GOV)
2.7	Produce a Corporate Customer Services Strategy	30/09/2011	DFCS
2.8	Review the effectiveness of the Council's Complaints Procedure	30/09/2011	ACE(HR&CP)
2.9	Finalise and test business continuity arrangements in all service areas	31/12/11	EDESC
2.10	Finalise application of all service area operational risks on the Risk Management System and re-emphasise need for annual review and updating.	30/09/2011	ADF(RBCS)
2.11	Ensure Internal Audit are meeting all operational requirements agreed in 2010/11	30/06/2011	DFCS
2.12	Finalise a revised Computer User Security Policy	30/06/2011	DCFS
2.13	Confirm the need for chief officers to produce annual Internal Control statements of assurance and re-emphasise the need for key governance measures to be engrained in the working of the Council	30/09/2011	CEX

11) **GLOSSARY OF TERMS**

[To follow]

12) **INDEPENDENT AUDITOR STATEMENT**

TO BE ADDED UPON CONCLUSION OF THE AUDIT (END OF SEPTEMBER)